STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2008-2009)

SUBJECT CODE : CM/PS/AM46

M.Com. DEGREE EXAMINATION APRIL 2010
COMMERCE
FOURTH SEMESTER

COURSE	**:**	**SPECIALISATION**
PAPER	**:**	**ACCOUNTING FOR MANAGERIAL DECISIONS**
TIME	**:**	**3 HOURS** **MAX. MARKS : 100**

SECTION – A

ANSWER ANY FIVE QUESTIONS: **(5 x 8 = 40)**

1. What is activity based costing ?

2. Explain the different methods used for determining the selling price of the product.

3. Explain the concept of Zero based budgeting.

4. Present the following information clearly to management
   a. The marginal product cost and the contribution per unit.
   b. The total contribution and profits resulting from each of the following mixtures

	Product A(Rs.)	Product B(Rs.)
Direct material	15	19
Direct wages	13	12
Variable overhead	10	15
Fixed overhead	5	5
Selling price	200	150

   Sales Mix :
   a. 100 units of Product A and 200 units of B
   b. 150 units of Product A and 150 units of B
   c. 200 units of Product A and 100 unit of B

5. B Ltd. has recorded the following data in the two most recent periods :

Volume of production (units)	800	1,200
Total cost of production (Rs.)	14,600	19,400

   What is the best estimate of the firm's fixed cost per period? Prepare the statement of cost for the period showing the classification of cost and also ascertain the cost for 1,500 units.

6. From the following data calculate overhead variances :

Budgeted overheads	:	Fixed	Rs.6,000;	Variable	Rs.4,000
Actual Overheads	:	Fixed	Rs.5,000	Variable	Rs.5,000
Output (units)	:	Budgeted	10,000	Actual	8,000
Hours worked	:	Budgeted	5,000	Actual	5,000

7. A company manufactures Product A and Product B . During the year ending December 31, 2009, it is expected to sell 15,000 kgs. of product A and 75,000 kgs. of Product B. at Rs.30 and Rs.16 per kg.
The direct materials P,Q, and R are mixed in the proportion of 3:5:2 in the manufacture of Product A and materials Q and P are mixed in the proportion of 1:2 in the manufacture of Product B. From the Actual and budgeted inventories for the year given below , you are required to prepare the production budget and the materials budget showing the expenditure on purchases for the year.

	Opening stock	Expected closing stock	Cost
Material P	4,500	3,000	Rs.12
Material Q	3,000	6,000	Rs.10
Material R	30,000	9,000	Rs.8
Product A	3,000	1,500	
Product B	4,000	4,500	

8. The budgeted overheads and cost driver volumes of X Ltd. are as follows :

Cost Pool	Budgeted overheads	Cost drivers	Budgeted volume
Material procurement	5,80,000	No. of orders	1,100
Material handling	2,50,000	No. of movements	680
Set-up	4,15,000	No. of set-ups	520
Maintenance	9,70,000	Maintenance hrs.	8,400
Quality control	1,76,000	No. of inspections	900
Machinery	7,20,000	No.of machine hrs.	24,000

The company has produced a batch of 2,600 components, its material cost was Rs.1,30,000 and labour cost was Rs.2,45,000. The usage activities of the said branch are as follows :
Material orders -26, material movements-18, Set-ups-25,
Maintenance hours -690, Inspection-28, Machine hours-1,800.
You are required to calculate cost driver rates and ascertain the cost of the component under ABC costing.

SECTION – B

ANSWER ANY THREE QUESTIONS: (3 x 20 = 60)

9. From the following information you are required to prepare a cash budget for three months October to December 2009 :

Months	Sales	Purchases	Wages	Overheads
	Rs.	Rs.	Rs.	Rs.
August	40,000	20,400	7,600	3,800
September	42,000	20,000	7,600	4,200
October	46,000	19,600	8,000	4,600
November	50,000	20,000	8,400	4,800
December	60,000	21,600	9,000	5,000

Additional information :

a. Credit terms are :
   Sales- 10% sales are on cash basis. 50% of the credit sales are collected next month and the balance in the following month.
b. Purchases – 50% cash purchases, the balance paid in the next month.
c. Wages 1/5 paid in the next month.
d. Overheads ½ paid in the next month.
e. Cash balance on October 1,2009 is expected to be Rs.8,000.
f. A machinery will be installed in August 2009, at a cost of Rs.1,00,000. The monthly installment of Rs.15,000 is payable from October onwards.
g. Dividend at 10% on preference share capital of Rs.3,00,000 will be paid in December 2009.
h. Income tax to be paid in December Rs.5,000.

10. The following particulars are extracted from the records of a company :

Product	A	B
Sales (per unit)	Rs.100	Rs.120
Consumption of material	2 kgs	3kgs.
Material cost	Rs.10	Rs.15
Direct wages(Rs.5per hour)	Rs.15	Rs.10
Direct expenses	Rs.5	Rs.6
Machine hours worked	3	2
Fixed overhead	5	10
Variable overhead	15	20

Comment on the profitability of each product when:

a. Sales potential in units is limited
b. Machine hours is the limiting factor
c. Material is the limiting factor
d. Sales in value is limited.
e. The sales mix and the profit, when the available material is 6,000 kgs. The maximum production is 1,500 units of each product.

11. Calculate Material Variances from the following information :

Standard Mix :			Actual Mix :		
Material	Quantity	Rate Rs.	Material	Quantity	Rate Rs.
A	70	10	A	400	11
B	30	5	B	200	6
	100			600	
Loss 15%	15			60	
	85			540	

12. Explain the application of variable costing technique in decision making.

13. Write short Notes on :
    a. Relevant cost applications
    b. Cost –volume profit analysis.
    c. Methods of separating mixed cost
    d. Variance analysis

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