STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2011-12 & thereafter)

SUBJECT CODE: 11CM/PC/AM44

M.Com. DEGREE EXAMINATION APRIL 2014
COMMERCE
FOURTH SEMESTER

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

SECTION – A

ANSWER ALL QUESTIONS: **(10 x 2 = 20)**

1. What is Break even point?
2. What are Variances?
3. What is Zero based budgeting?
4. What is Acid-Test Ratio?
5. Explain CPM (Critical Path Method).
6. Collection period : 36 days
   Credit Sales (ANNUAL) : Rs. 8, 00,000
   Assume 360 days for the year.
   Calculate Debtors Turnover. Also calculate closing debtors when opening debtors are Rs. 10,000 less than closing debtors.
7. Selling price per unit : Rs. 18
   Variable Cost per Unit : Rs. 12
   Fixed expenses per year : Rs. 60,000
   Calculate BEP.
8. Calculate material cost variances from the following data:

	Standard	**Actual**
Quantity	400 kgs	460 kgs
Price	Rs. 2 per kg	Rs. 1.5 per kg
Value	Rs. 800	Rs. 690

9. Find out the funds from operations from the details given below:
   Net profit for the year 2006-07 - Rs. 95,000
   Depreciation charges on fixed Assets - Rs. 42,000
   Profit on sale of Long term investment - Rs. 13,000
   Goodwill written off - Rs. 20,000
10. Fixed cost at 50% activity level is Rs. 20,000. What will be the fixed cost at 60% and 80% activity levels?

..2

SECTION – B

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

11. From the following particulars, calculate sales variances:

Product	Budgeted sales		Actual sales	
	Quantity units	Price Rs.	Quantity units	Price Rs.
A	1,000	20	1,300	21
B	2,000	15	2,300	14
	3,000		3,600	

12. A.G Ltd. furnished you the following related to the year 1996.

	First half of the year Rs.	Second half of the year Rs.
Sales	45,000	50,000
Total cost	40,000	43,000

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the 2 half year periods, calculate for the year 1996:

(a) The profit volume ratio
(b) Fixed expenses
(c) Break even sales and
(d) % of margin of safety.

13. The standard consumption is 40 kgs @ Rs. 10 per kg. The Actuals were 48 kgs @ Rs. 12 per kg. Calculate Material Cost Variance, Material Price Variance and Material usage variance.

14. The following are the summarized Balance Sheets of Malar Industries Ltd., as on 31st December, 1989 and 1990:

Balance Sheet

Liabilities	1989 Rs.	1990 Rs.	Assets	1989 Rs.	1990 Rs.
Capital:			Fixed Assets	41,000	40,000
7% Redeemable			*Less:* Depreciation	11,000	15,000
preference shares	-	10,000		30,000	25,000
Equity shares	40,000	40,000	*Current assets*		
General reserve	2,000	2,000	Debtors	20,000	24,000
Profit & Loss A/c	1,000	1,200	Stock	30,000	35,000
Debentures	6,000	7,000	Prepaid expenses	300	500
Current Liabilities:			Cash	1,200	3,500
Creditors	12,000	11,000			
Provision for tax	3,000	4,200			
Proposed dividend	5,000	5,800			
Bank overdraft	12,500	6,800			
	81,500	88,000		81,500	88,000

Prepare: (i) Statement showing changes in the working capital.
(ii) A statement of sources and application of funds.

15. From the following Balance Sheet and Income statement find out the following ratios.
    (a) Gross profit ratio
    (b) Return on assets
    (c) Return on equity
    (d) Interest coverage Ratio

Income Statement

			Rs. in Lakhs
	Gross sales		1,000
Less:	Cost of goods sold		600
	Gross profit		400
Less:	Depreciation	20	
	Interest	10	
			30
	Profit before taxes		370
Less:	Taxes at 50%		185
	Profit after taxes		185

Balance Sheet

Liabilities	*Rs. in lakhs*	*Assets*	*Rs. in lakhs*
Share capital	200	Plant & Machinery	200
Creditors	100	Cash	100
	300		300

16. Prepare a flexible budget for overheads on the basis of the following data. Ascertain overhead rates at 50%, 60% and 70% capacity

Variable overheads	At 60% capacity Rs.
Indirect material	6,000
Indirect labour	18,000
Semi-variable overheads	
Electricity (40% fixed 60% variable)	30,000
Repairs (80% fixed 20% variable)	3,000
Fixed overheads	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct labour hours	1,86,000

17. Calculate the earliest start, earliest finish, latest start and latest finish of each activity of the project given below and calculate the critical path of the project.

Activity	1-2	1-3	2-4	2-5	3-4	4-5
Duration days	8	4	10	2	5	3

SECTION – C

ANSWER ANY TWO QUESTIONS: **(2 x 20 = 40)**

18. The following ratios and other data relate to the financial statements of Jay Co. Ltd. for the year ending 31st Dec. 2012:

Working capital ratio (current ratio)	1.75
Acid test ratio	1.27
Working capital	Rs. 33,000
Fixed assets to shareholders equity	0.625
Inventory turnover (based on closing stock)	4 times
Gross profit ratio	40%
Earning per share	Re. 0.50
Debt collection period	73 days
No. of shares issued	20,000
Earnings for the year on share capital	25%

The company has no prepaid expenses, deferred charges, intangible assets or long-term liabilities. You are required to draft the company's Balance Sheet and Profit and Loss Account.

19. From the following Balance Sheets, prepare cash flow statement with supporting worksheets :

Liabilities	**31.03.2005 (Rs.)**	**31.03.2006 (Rs.)**	**Assets**	**31.03.2005 (Rs.)**	**31.03.2006 (Rs.)**
Share Capital	1,00,000	1,60,000	Fixed Assets	1,52,000	2,00,000
P & L A/C	70,250	85,300	Stock	93,400	89,200
Acc. Depreciation	60,000	40,000	Debtors	30,800	21,100
6% Debentures	50,000	--	Prepaid exp.,	3,950	3,000
Creditors	28,000	48,000	Bank	28,100	20,000
	3,08,250	**3,33,300**		**3,08,250**	**3,33,300**

ADJUSTMENTS:

a) Net profit for the year Rs. 27,050.

b) Depreciation charged Rs. 10,000.

c) Cash Dividend Rs. 12,000.

d) Fixed asset at cost Rs. 78,000 was added.

e) Another machine costing Rs. 30,000 was discarded, which was fully depreciated.

20. A newly started Pushpak Co., wishes to prepare cash budget from January. Prepare a cash budget for the 6 months from the following estimated revenue and expenses.

Months	*Total sales*	*Materials*	*Wages*	*Production overhead*	*Selling & Distribution overhead*
	Rs.	Rs.	Rs.	Rs.	Rs.
January	20,000	20,000	4,000	3,200	800
February	22,000	14,000	4,400	3,300	900
March	24,000	14,000	4,600	3,300	800
April	26,000	12,000	4,600	3,400	900
May	28,000	12,000	4,800	3,500	900
June	30,000	16,000	4,800	3,600	1,000

Cash balance on 1st January was Rs. 10,000. A new machine is to be installed at Rs. 30, 000 on credit, to be repaid by two equal instalments in March and April.

Sales commission at 5% on total sales is to be paid within the month following actual sales.

Rs. 10,000 being the amount of 2nd call may be received in March. Share premium amounting to Rs. 2,000 is also obtained with 2nd call.

Period of credit allowed by suppliers - 2 months
Period of credit allowed to customers - 1 month
Delay in payment of overheads - 1 month
Delay in payment of wages - ½ month
Assume cash sales to be 50% of the total sales.

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

	Product A	*Product B*
Sales (per unit)	Rs. 100	Rs. 120
Consumption of material	2 kg	3 kg
Material cost	Rs. 10	Rs. 15
Direct wages cost	15	10
Direct expenses	5	6
Machine hours used	3	2
Overhead expenses		
Fixed	5	10
Variable	15	20

Direct wage per hour is Rs. 5. Comment on the profitability of each product (both use the same raw material) when:

(i) total sales potential in units is limited.
(ii) production capacity (in terms of machine hours) is the limiting factor.
(iii) material is in short supply.
(iv) sales potential in value is limited.
(v) The available material is 1500 kg. and the maximum production is 300 units of Product A or B. Calculate the profitable sales mix.

****