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 2015
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. The following data are obtained from the records of a company:

	First year	Second year
Sales	Rs. 80,000	Rs. 90,000
Profit	10,000	14,000

Calculate the PVR.

2. The standard cost of material for manufacturing a unit of a particular product PEE is estimated as follows:
16 kg. of raw material @ Re. 1 per Kg.
On completion of the unit, it was found that 20 kg. of raw material costing Rs. 1.50 per kg. has been consumed. Compute material cost variance.

3. A single product company estimated its sales for the next year quarter as under:

Quarter	Sale Units
I	30,000
II	37,500
III	41,250
IV	45,000

The opening stock of finished goods is 10,000 units and the company expects to maintain the closing stock of finished goods at 16, 250 units at the end of the year. The production pattern in each quarter is based on 80% of the sales of the current quarter and 20% of the sales of the next quarter.

You are required to present the Production budget in units for the next year, quarter wise.

4. Calculate the earnings per share from the following data:

Net profit after tax	= 76,000
12% preference share capital (Rs. 10 each)	= 3, 00,000
Equity share capital (Rs. 10 each)	= 2, 00,000

5. Give two differences between budgeting and standard costing.
6. Given Fixed Cost – Rs. 8,000; profit earned – Rs. 2,000; and Break – even Sales – Rs. 40,000. Find the Actual Sales.
7. State any three applications of marginal costing.
8. What is zero based budgeting?
9. How can solvency of a firm be measured?
10. Explain PERT and CPM.

SECTION – B

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

11. Following is the Balance Sheet of Spraylac Paints Limited as on 31st December 2009:

Liabilities	Rs.	Assets	Rs.
Creditors	6,000	Cash	5,000
Bills payable	10,000	Investments	15,000
Outstanding Expenses	1,000	Sundry Debtors	20,000
Taxation Provision	13,000	Stock	30,000
Total Current Liabilities	30,000	Total Current Assets	70,000
6% Mortgage Debentures	70,000	Fixed Assets (Net)	1,30,000
7% Preference Shares	10,000		
Equity Shares	50,000		
Reserves and Surplus	40,000		
Total	**2,00,000**		**2,00,000**

Additional Information:

Net Sales – Rs. 2,00,000
Cost of good sold –Rs. 2,58,000
Net Income before Tax - Rs. 20,000
Net Income After Tax - Rs. 10,000

Calculate 1. Current ratio 2. Fixed assets ratio 3. Debt. Equity ratio 4. Return on Share holders once.

12. The following information is gathered from the labour records of Ramkishan & Co.:
Payroll allocation for direct labour Rs. 20,000
Time card analysis shows that 9,000 hours were worked on production lines.
Production reports for the period showed that 4,000 units have been completed, each having standard labour time of 1 ½ hours and a standard labour rate of Rs. 2 per hour.

Calculate the labour variances.

13. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, and 90% plant capacity.

	Capacity levels		
	70% Rs.	80% Rs.	90% Rs.
Variable Overheads:			
Indirect labour	----	12,000	----
Stores including spares	----	4,000	----
Semi-variable overheads:			
Power (30% fixed, 70% variable)	----	20,000	----
Repairs and maintenance (60% fixed, 40% variable)	----	2,000	----
Fixed Overheads:			
Depreciation	----	11,000	----
Insurance	----	3,000	----
Salaries	----	10,000	----
Total Overheads	----	62,000	----
Estimated direct labour hours	----	1, 24,000 hrs.	----

14. Fair deals Ltd, presents the balance sheet as at 31st Dec. 1983 and 31st Dec 1984:

Liabilities	1983 Rs	1984 Rs	Assets	1983 Rs	1984 Rs
Shares of Rs 100 per each	20,00,000	25,00,000	Fixed asset-cost Less: Depreciation till date	25,00,000 6,80,000	30,00,000 8,20,000
Reserve and Surplus	8,00,000	8,70,000	Net fixed assets	18,20,000	21,80,000
13.5% Debentures(convertible)	10,00,000	8,00,000	Trade Investments	12,50,000	13,50,000
Current Liabilities and Provisions	6,20,000	7,10,000	Marketable Investments	60,000	30,000
Proposed Dividend	2,00,000	2,50,000	Inventories	4,10,000	5,20,000
Public Deposits	3,00,000	2,50,000	Book Debts	5,30,000	5,05,000
			Cash and Bank	1,20,000	1,40,000
			Preliminary Expenses	1,00,000	50,000
			Capital Work in Progress	6,30,000	6,05,000
	49,20,000	53,80,000		49,20,000	53,80,000

You are informed that during 1984:

(i)Rs.2, 00,000 of debentures were converted into shares at par.

(ii)Rs.2, 00,000 shares were issued to the share holders as bonus shares fully paid out of reserve.

You are required to prepare the funds flow statement of the company for 1984 indicating the working capital in the beginning and at the end of the year.

15. The following particulars are taken from the records of a company engaged in manufacturing two products X and Y from a certain raw material:

	Product X (Rs. per unit)	Product Y (Rs. per unit)
Sales	125.00	250.00
Material cost (Rs. 2.5 per kg)	25.00	62.50
Wages (Rs. 15 per hour)	37.50	75.00
Variable overhead	12.50	25.00

Total fixed overheads Rs. 50,000.

Comment on the profitability of each product when:

(a) Total availability of raw material is 20,000 kgs and maximum sales potential of each product is 1,000 units. Find the product mix to yield maximum profit. Determine the maximum profit.

(b) Total sales in value is limited.

(c) Labour Time is limited.

(d) Production capacity in units is a key factor.

16. A project has the following time schedule

Activity	Time in Months	Activity	Time in Months
1-2	2	3-7	5
1-3	2	4-6	3
1-4	1	5-8	1
2-5	4	6-9	5
3-6	8	7-8	4
		8-9	3

(i) Construct the network

(ii) Find the total float for each activity

(i) Find the critical path and project duration.

17. A company budgets for a production of 1, 50,000 units variable cost per unit is Rs.14 and fixed cost is Rs.2 per unit. The company fixes its selling price to fetch a profit of 15% on cost.

(a) What is BEP?

(b) What is PVR?

(c) If it reduces selling price by 5 %, how will the revised selling price affect BEP & PVR.

(d) If a profit increase of 10% is desired more than the budget, what should be the sales at reduced prices?

SECTION – C

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

18. A company annually manufacturing 10,000 units of a product at a cost of Rs. 4 per unit and there is home market for consuming the entire volume of production at the sale price of Rs. 4.25 per unit. In the year 1997, there is a fall in the demand for home market which can consume 10,000 units only at the sale price of Rs. 3.72 per unit. The analysis of the cost per 10,000 units is as follows:

Materials	Rs. 15,000	Fixed Overheads	Rs. 8,000
Wages	11,000	Variable Overheads	6,000

The foreign market is explored and it is found that this market can consume 20,000 units of the product if offered at a sale price of Rs. 3.55 per unit. It is also discovered that for additional 10,000 units of the product (over initial 10,000 units) the fixed over heads will increase by 10 percent. Is it worthwhile to try to capture the foreign market?

19.

Item	Budget	Actual
No. of working days	20	22
Man hours per day	8,000	8,400
Output per man hour in unit	1.0	0.9
Overhead cost (Rs.)	1, 60,000	1, 68,000

Calculate overhead variances such as:

(i) Overhead cost variance

(ii) Overhead Efficiency Variance.

(iii) Overhead Capacity Variance

(iv) Overhead Calendar Variance.

20. ABC Co. wished to arrange overdraft facilities with its bankers during the period April to June 1990 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of each month:

(a)	Sales	Purchases	Wages
February	1, 80,000	1, 24,800	12,000
March	1, 92,000	1, 44,000	14,000
April	1, 08,000	2, 43,000	11,000
May	1, 74,000	2, 46,000	10,000
June	1, 26,000	2, 68,000	15,000

(b) 50 per cent of the credit sales are realized in the month following the sales and the remaining 50 percent in the second month following. Creditors are paid in the month following the month of purchase.
(c) Cash at Bank on 1.4.90 (estimated) is Rs. 25,000.

21. Prepare a Cash Flow Statement from the following Balance Sheets.

Liabilities	2008 Rs	2009 Rs	Assets	2008 Rs	2009 Rs
Share Capital	70,000	74,000	Bank balance	9,000	17,800
Bonds	12,000	6,000	Accounts receivable	14,900	17,700
Accounts payable	10,360	11,840	Inventories	49,200	42,700
Provision for doubtful debts.	700	800	Land	20,000	30,000
Reserves and Surplus	10,040	10,560	Goodwill	10,000	5,000
Total	1,03,100	1,03,200		1,03,100	1,03,200

Additional Information:

1. Dividends amounting to 3,500 was paid during the year 2009.
2. Land was purchased for Rs. 10,000.
3. Rs. 5,000 was written off on Goodwill during the year.
4. Bonds Rs. 6,000 were paid during the year.

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