STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015 – 2016)

SUBJECT CODE: 15CM/PC/AM14

M.Com. DEGREE EXAMINATION NOVEMBER 2015
COMMERCE
FIRST SEMESTER

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

SECTION – A

I. ANSWER ANY SIX QUESTIONS: (6 x 10 = 60)

1. A Company budgets for a production of 1, 50,000 units. The 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% of cost.

   a) What is break-even point?
   b) What is profit-volume ratio?
   c) If it reduces its selling price by 5%, how does the revised selling price affect the break –even point and profit volume ratio?
   d) If a profit increase of 10% is desired more than the budget, what should be the sale at the reduced price?

2. How is marginal costing useful in the decision-making of a firm?

3. What is standard costing? State its advantages.

4. From the data given below, calculate the material price variance, the material usage variance and material mixture variance.
   Consumption per 100 units of product

Material	Standard	Actual
A	40 units @ Rs.50 per unit	50 units @ Rs.50 per unit
B	60 units @ Rs.40 per unit	60 units @ Rs.45 per unit

5. What is mean by zero base budgeting? Explain the merits of zero based budgeting.

6. The following is the comparative balance sheets of Pratima and Company Ltd as on 30^{th} June 2012 and 30^{th} June 2013.

Balance Sheet

Liabilities	**30-6-12** Rs.	**30-6-13** Rs.	**Assets**	**30-6-12** Rs.	**30-6-13** Rs.
Share capital	1, 80,000	2, 00,000	Goodwill	24,000	20,000
Reserve fund	28,000	36,000	Buildings	80,000	72,000
P & L account	39,000	24,000	Machinery	74,000	72,000
Trade creditors	16,000	10,800	Investments	20,000	22,000
Bank overdraft	12,400	2,600	Inventories	60,000	50,800
Provision for tax	32,000	34,000	Debtors	40,000	44,400
Provision for doubt			Cash	13,200	30,400
Doubtful debts	3,800	4,200			
	3, 11,200	3, 11,600		3, 11,200	3, 11,600

Additional information:

(i) Depreciation charged on machinery Rs. 10,000 and on buildings Rs. 8,000.
(ii) Investments sold during the year Rs. 3,000
(iii) Rs. 15,000 interim dividend paid.
(iv) Taxes paid during the year Rs. 30,000

Prepare schedule of changes of working capital and funds from operation.

7. For the production of 10,000 automatic electrical goods the following are budgeted expenses.

	Per unit Rs.
Direct material	60
Direct labour	30
Variable overheads	25
Fixed overheads (Rs. 1, 50,000)	15
Variable expenses (direct)	5
Selling expenses (10% fixed)	5
Administration expenses (Rs. 50,000 fixed)	5
Distribution expenses (20% fixed)	5
Total cost	150

Prepare a budget for the production of 6,000 electrical goods.

8. Draw a network and determine the critical path of the project. Find all the floats.

Activity	**Time**	**Predecessors**
A	4	None
B	9	None
C	3	A
D	8	B
E	7	B
F	2	D
G	5	E

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SECTION – B

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

9. A decision is to be taken by the management of a company relating to the possible introduction of new product. There can be three models of this product, aimed at different sections of the consumer market. The relevant figures are as follows:

Variable cost (per unit)	Model 1 Rs.	Model II Rs.	Model III Rs.
Materials	1.54	1.22	0.86
Labour	1.06	0.95	.58
Variable overheads	0.40	0.33	0.31
Total	3.00	2.50	1.75
Selling price (per unit)	4.25	3.50	2.50
Expected sales volume per month	800 units	2,000 units	4,000 units
Capital Expenditure before production can commence (financed by bank at 5% p.a)	800	3,000	4,000
Fixed overheads per month attributable to new model including depreciation on capital expenditure	280	850	1,100

You are required to prepare a statement of relative profitability and determine for each model the percentage of net profit to selling price at the expected sales volume. Also state, keeping into consideration all factors, the production of which model should be commenced by the company?

10. Prepare a cash budget for the three months ending 30th June from the following information

a)

Month	**Sales Rs.**	**Materials Rs.**	**Wages Rs.**	**Overheads Rs.**
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

b) Credit terms are:
Sales/Debtors - 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

c) Creditors: Materials, 2 Months
Wages, ¼ month
Overheads, ½ month

d) Cash and Bank balance on 1st April is expected to be Rs.6, 000.
e) Other relevant information are:
1) Plant and Machinery will be installed in February at a cost of Rs. 96, 000. The monthly installments of Rs. 2, 000 are payable from April onwards.
2) Dividend @ 5% on preference share capital of Rs. 2, 00,000 will be paid on 1st June.
3) Advance to be received for sale of vehicles Rs. 9, 000 in June.
4) Dividends from investments amounting to Rs.1,000 are expected to be received in June
5) Income tax (advance) to be paid in June is Rs. 2, 000.

11. Monisha Ltd., furnish you the following Balance Sheets for the years ending 31st Dec, 2012 and 2013. You are required to prepare a cash flow statement for the year ended 31-12-2013.

Balance Sheet

Liabilities	**2012**	**2013**	Assets	**2012**	**2013**
Equity share capital	20,000	20,000	Goodwill	2,400	2,400
General Reserve	2,800	3,600	Land	8,000	7,200
Profit and Loss A/c	3,200	2,600	Building	7,400	7,200
Sundry creditors	1,600	1,080	Investments	2,000	2,200
Outstanding expenses	240	160	Inventories	6,000	4,680
Provision for tax	3,200	3,600	A/cs receivable	4,000	4,440
Provision for bad debts	80	120	Bank balance	1,320	3,040
	31,120	31,160		31,120	31,160

Following additional information has been supplied:
(i) A piece of land has been sold for Rs. 800
(ii) Depreciation amounting to Rs. 1,400 has been charged on building
(iii) Provision for taxation has been made for Rs. 3,800 during the year.

12. S.V Ltd. Has furnished you the following data:

	Budget	**Actual July 2013**
No. of working days	25	27
Production in units	20,000	22,000
Fixed overheads Rs.	30,000	31,000

Budgeted fixed overhead rate is Rs.1.00 per hour. In July, 2013 the actual hours worked were 31,500.
Calculate the following variances:
1. Efficiency variance;
2. Capacity variance;
3. Volume variance;
4. Expenditure variance.

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