

STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2015 – 2016 and thereafter)
SUBJECT CODE: 15CM/PC/AM14

M.Com. DEGREE EXAMINATION NOVEMBER 2017
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. Explain the meaning of relevant costs. What are the characteristics of such costs?
2. What do you understand by budget and budgetary control? How far is budgetary control a tool in the hands of management?
3. What do you mean by Net Work and Net Work Analysis? Explain the methodology of critical path analysis.
4. Sagar Manufacturing Ltd. produces water tanks of a standard size, which sells at Rs. 100 per tank.

From the data given below, you are required to determine

1. P/V ratio
2. Fixed cost
3. Variable cost per unit
4. Break-even point
5. Margin of safety

Quarter	Sales (Rs.)	Profit/(Loss) (Rs.)
1 st year	30,00,000	3,00,000
2 nd year	35,00,000	4,00,000

5. From the following particulars, find the (i) Material cost variance, (ii) Material usage variance, and (iii) Material price variance:

Quantity of material purchased	3,000 units
Value of materials purchased	Rs 9,000
Standard quantity of material required per tonne of finished product	25 units
Standard rate of material	Rs 2 per unit
Opening stock of material	Nil
Closing stock of material	500 units
Finished production during the period	80 tonnes

6. Prepare a Production Budget for three months ending March 31, 2016, for a factory producing four products, on the basis of the following information:

Type of Product	Estimated Stock on Jan 1, 2016 (units)	Estimated Sales during Jan-March, 2016 (units)	Desired Closing Stock on March 31, 2016 (units)
A	2,000	10,000	3,000
B	3,000	15,000	5,000
C	4,000	13,000	3,000
D	3,000	12,000	2,000

7. Following are the ratios of the trading activities of National Traders Ltd:

Debtors' velocity	3 months
Stock Velocity	8 months
Creditor's velocity	2 months
Gross Profit Ratio	25%

Gross Profit for the year ended 31st December, 2016 amounts to Rs 4,00,000. Closing stock of the year is Rs 10,000 above the opening stock. Bills receivable amount to Rs 25,000 and Bills payable to Rs 10,000.

Find out (a) Sales; (b) Sundry Debtors; (c) Closing stock and (d) Sundry Creditors.

8. The following table lists the jobs of a network along with their time estimates

Jobs	1-2	1-3	2-4	3-4	4-5	3-5
Optimistic time	2	9	5	2	6	8
Most likely time	5	12	14	5	6	17
Pessimistic time	14	15	17	8	12	20

- Draw the network
- Calculate the length and variance of the critical path

SECTION – B

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

9. From the following data forecast the cash position at the end of April, May and June 2016.

Month	Sales	Purchases	Wages	Sales Expenses
1998	Rs	Rs	Rs	Rs
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:

Sales at 10% realised in the month of sales. Balance equally realised in two subsequent months.

Purchases: Creditors are paid in the month following the month of supply

Wages: 20% paid in arrears in the following month

Sundry expenses paid in the month itself

Income tax Rs 20,000 payable in June

Dividend Rs 12,000 payable in June

Income from investments Rs 2,000 received half yearly in March and September

Cash balance on hand as on 1-4-2016 Rs 40,000

10. Balance sheets of Ravi Electronics Ltd are given below:

Liabilities	2015	2016
	Rs	Rs
Share Capital	4,00,000	5,00,000
General reserve	1,00,000	1,50,000

	/3/	15CM/PC/AM14
Profit & loss A/c	1,00,000	1,50,000
12% debentures	2,00,000	2,00,000
Depreciation provision	1,50,000	2,00,000
Taxation provision	40,000	50,000
Creditors	15,000	30,000
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	10,05,000	12,80,000
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Assets	2015	2016
	Rs	Rs
Fixed assets	5,00,000	7,00,000
Investments	2,00,000	1,80,000
Stock	1,50,000	1,00,000
Debtors	1,20,000	2,00,000
Cash	25,000	95,000
Underwriting commission	10,000	5,000
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	10,05,000	12,80,000
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The following transactions took place during the year 2016:

- Dividend paid Rs 40,000 and Income tax paid Rs 50,000
- There was profit on sale of investment Rs 10,000
- A machinery (cost Rs 50,000 on which accumulated depreciation was Rs 40,000) was sold for Rs 20,000

You are required to prepare a funds flow statement and a statement of changes in working capital.

11. Calculate labour variances from the following data:

A factory worked for 6,000 labour hours during a week . 200 hours were wasted due to power failure. The sundry works done by the workers were equal to 6,400 standard hours. The standard rate per hour was Rs 15. The actual wage rate was Rs 20 per hour.

12.	Rs
a)	
Present sales	1,00,000
Variable cost	60,000
Fixed cost	20,000

Ascertain the effect of 10% reduction of selling price on:

1)P/V Ratio 2) Break even point

Also calculate the sales required to maintain the profit at present level.

b) 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	250
Material cost Rs.2.50 per kg	25	62.50
Wages Rs.15 per hour	37.50	75
Variable overhead	12.50	25

Total fixed overhead Rs.50,000

Comment on the profitability of each product when

- a. Total availability of raw material is 20,000 kg 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
