

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 2018
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. What is break-even point? What are its advantages?
2. What are the differences between “Standard cost” and “estimated cost”?
3. What are the different classifications of Budgets?
4. From the following information calculate
 - a) Break- even point
 - b) Number of units that must be sold to earn a profit of Rs.60,000 per year
 - c) Number of units that must be sold to earn a net income of 10% on sales.

Selling Price - Rs.20 per unit
 Variable Cost - Rs.14 per unit
 Fixed Cost - Rs.79, 200.
5. Geetha Manufacturing company has adopted standard costing, which furnished the following information:

Standard: Materials for 70 Kgs. of finished product 100 Kgs.
 Price of materials Re.1 per kg.

Actual: Output -2, 10,000 kgs.
 Material used -2, 80,000 kgs.
 Cost of materials -Rs.2, 52,000.

Calculate:

 - a) Material price variance
 - b) Material usage variance
 - c) Material cost variance.
6. From the following data forecast the cash position at the end of April, May and June 2017.

Months 2017	Sales Rs.	Purchases Rs.	Wages Rs.	Sales Expenses 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:

- i) Sales at 10% realized in the month of sales and balance equally realized in two subsequent months.
- ii) Purchases: Creditors are paid in the month following the month of supply
- iii) Wages: 20% paid in arrears in the following month
- iv) Sundry expenses paid in the month itself
- v) Income tax Rs. 20,000 payable in June
- vi) Dividend Rs. 12,000 payable in June
- vii) Income from investments Rs.2,000 received half-yearly in march and September
- viii) Cash balance on hand as on 01.04.2017 Rs.40,000.

7. Comment on the financial position of the company from the following balance sheet by preparing Short – term solvency ratios and Long – term solvency ratios.

Balance sheet of Vijay Ltd as on 31st December 2018

Liabilities	Amount Rs.	Assets	Amount Rs.
Equity Share Capital	2,00,000	Goodwill	1,20,000
Reserves	40,000	Fixed Assets	2,80,000
Profit and Loss A/c	60,000	Stock	80,000
Secured Loans	1,60,000	Debtors	40,000
Creditors	1,00,000	Bills Receivable	20,000
Provision for tax	40,000	Cash	60,000
	6,00,000		6,00,000

8. For a small project time estimates are listed below

Activity	Optimistic Time	Most likely Time	Pessimistic Time
1-2	1	1	7
1-3	1	4	7
1-4	2	2	8
2-5	1	1	1
3-5	2	5	14
4-6	2	5	8
5-6	3	6	15

- Draw the project Net work
- Find the expected duration and the variance for each activity
- What is the expected project length, calculate the variance of the project length

SECTION – B

II. ANSWER ANY TWO QUESTIONS:

(2 x 20 = 40)

9. The Management of Royal Company Limited is considering the sales budget for the next budget period. You are required to present to the management a statement showing:

- The marginal cost of each product
- To recommend which of the following sales mixes should be adopted
 - 1,800 Units of X
 - 1,200 Units of Y
 - 1,200 Units of X and 400 Units of Y
 - 900 Units of X and 600 Units of Y.

The chief accountant has ascertained the following information:

Particulars	Product X	Product Y
Direct Materials	Rs.10	Rs.12.50
Selling Price	Rs.30	Rs.50
Direct Labour @ 25 paise per hour	20 Hrs	30 Hrs
Variable overheads: 100% of Labour		
Fixed overheads: Rs.10, 000.		

10. Prepare a flexible budget for overheads on the basis of the following data:

Ascertain overheads rates at 50%, 60% and 70% capacity

Variable overheads:	at 60% capacity (Rs.)
▪ Indirect materials	6,000
▪ Indirect labour	18,000

Semi variable overheads:	
▪ Electricity(40% fixed)	30,000
▪ Repairs (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.

11. The balance sheet of Super Company Ltd. For the year ending 31-03-18 and 31-03-17 were summarized as follows:

Particulars	2018 Rs.	2017 Rs.
Equity share capital	1,20,000	1,00,000
Reserves:		
Profit and loss account	9,000	8,000
Current liabilities:		
Trade payables	8,000	5,000
Income tax payables	3,000	2,000
Declared dividends	4,000	2,000
	1,44,000	1,17,000
Fixed asset at WDV:		
Building	19,000	20,000
Furniture and fixtures	34,000	22,000
Cars	25,000	16,000
Long term investments	32,000	28,000
Current assets:		
Inventory	14,000	8,000
Trade receivables	8,000	6,000
Cash and bank	12,000	17,000
	1,44,000	1,17,000

The profit and loss account for the year ending 31-03-18 disclosed:

Particulars	Rs.
Profit before tax	8,000
Income tax	(3,000)
Profit after tax	5,000
Declared dividends	(4,000)
Retained profit	1,000

Further information is available:

- Depreciation on building Rs.1,000
 - Depreciation on furniture and fixtures for the year Rs. 2,000
 - Depreciation on cars for the year Rs. 5,000. One car was disposed during the year for Rs. 3,400 book valued at Rs. 2,000
 - Purchased investments for Rs. 6,000
 - Sold investments for Rs. 10,000, these investment costs Rs.2,000
- You are required to prepare the cash flow statement.

12. Project schedules has the following characteristics, ascertain the below said from the same

- i) Construct PERT network and show the critical path
- ii) Compute EST,EFT,LST,LFT, Total Float, Free Float and Independent Float

Activity	Name	Time
1-2	A	4
1-3	B	1
2-4	C	1
3-4	D	1
3-5	E	6
4-9	F	5
5-6	G	4
5-7	H	8
6-8	I	1
7-8	J	2
8-10	K	5
9-10	L	7
