# B.Com(Hons) DEGREE EXAMINATION,APRIL 2020
## III Year VI Semester
## Accounting for decision making

**Time : 3 Hours** **Max.marks :75**

**Section A** $(10 \times 2 = 20)$ Marks

Answer **ALL** the questions

1. What is Management Accounting?
2. The following are the income statements of J ltd for the year ending 31st Dec 1999 and 1998. You are required to prepare comparative income statement for the two years:

| Particulars | | 31.12.98(Rs) | 31.12.99(Rs) |
|---|---|---|---|
| Net Sales | | 1000000 | 1200000 |
| Cost of goods sold | | 550000 | 605000 |
| Operating expenses: | Administration | 80000 | 100000 |
| | Selling expenses | 60000 | 80000 |
| Non–Operating expenses: | Interest | 40000 | 50000 |
| | Income Tax | 50000 | 80000 |

3. From the following details of a business concern calculate net profit ratio:

| Particulars | Rs |
|---|---|
| Sales | 350000 |
| Cost of goods sold | 150000 |
| Administration expenses | 50000 |
| Selling expenses | 10000 |

4. Mention the modes of expressions of ratios
5. What is zero based budgeting
6. From the following data you are required to calculate the cash from operations: Funds from operations for the year 1998 Rs 84000. Current assets and liabilities as on 1.1.98 & 31.12.98 were as follows:

| Particulars | 1.1.98(Rs.) | 31.12.98(Rs.) |
|---|---|---|
| Trade creditors | 182000 | 194000 |
| Trade debtors | 275000 | 315000 |
| Bills Receivables | 40000 | 35000 |
| Bills payable | 27000 | 31000 |
| Inventories | 185000 | 170000 |
| Trade investments | 40000 | 70000 |
| Outstanding expenses | 20000 | 25000 |
| Prepaid expenses | 5000 | 8000 |

7. Enumerate the differences between Forecasts and Budgets.
8. Enumerate any four salient features of Marginal costing.
9. Calculate break even point from the following:
   Sales 1000 units at Rs 10 each Rs 10000
   Variable cost – Rs 6 per unit
   Fixed cost – Rs 8000
10. What are the various types of Cost variances?

**Section B** $(5 \times 5 = 25)$ Marks

Answer any **FIVE** questions

11. List out the functions of Management Accounting.
12. What is Ratio analysis? Discuss its uses and limitations.
13. The following figures relates to trading activities of a company for the year ending 31.12.87

| Particulars | Rs | Particulars | Rs |
|---|---|---|---|
| Sales | 100000 | Salary of salesmen | 1800 |
| Purchases | 70000 | Advertising | 700 |
| Closing stock | 14000 | Travelling expenses | 500 |
| Sales returns | 4000 | Salaries (Office) | 3000 |
| Dividend received | 1200 | Rent | 6000 |
| Profit on sales of fixed asset | 600 | Stationary | 200 |
| Loss on sale of shares | 300 | Depreciation | 1000 |
| Opening stock | 11000 | Other expenses | 2000 |
| | | Provision for tax | 7000 |

You are required to calculate:
Gross profit ratio, Operating ratio, Operating profit ratio and net profit ratio.

14. You are required to prepare a production budget for the half year ending June 2000from the following information:

| Product | Budgeted sales quantity | Actual stock on 31.12.99 | Desired stock on 30.6.2000 |
|---|---|---|---|
| | Units | Units | Units |
| S | 20000 | 4000 | 5000 |
| T | 50000 | 6000 | 10000 |

15. From the following balance sheets of A ltd., you are required to prepare a cash flow statement:

| Liabilities | 1989 | 1990 | Assets | 1989 | 1990 |
|---|---|---|---|---|---|
| Share Capital | 400000 | 500000 | Cash | 60000 | 94000 |

| | | | | | |
|---|---|---|---|---|---|
| Trade creditors | 140000 | 90000 | Debtors | 240000 | 230000 |
| Profit & Loss a/c | 20000 | 46000 | Stock | 160000 | 180000 |
| | | | Land | 100000 | 132000 |
| | 560000 | 636000 | | 560000 | 636000 |

16. From the following information relating to Palani Bros. Ltd you are required to find out P/V Ratio, break even point, profit, Margin of safety, volume of sales to earn profit of Rs 6000
Total fixed costs Rs 4500; Total variable costs Rs 7500; Total sales Rs 15000

17. The following particulars are obtained from the records of a company manufacturing two products P and R

| Particulars | P(per unit)Rs | R(Per unit)Rs |
|---|---|---|
| Selling price | 200 | 400 |
| Marginal costs(Rs. 20 per kg) | 40 | 100 |
| Direct wages(Rs 6 per hour) | 60 | 120 |
| Variable overhead | 20 | 40 |

Total fixed overhead is Rs 10000
Comment on profitability of each product when production capacity in hours is the limiting factor.

18. The standard cost card reveals the following information:

| | | |
|---|---|---|
| Standard labour rate | – | 50 paise per hour |
| Standard hours required per unit | – | 10 hours |

Actual data are given below:
Unit produced – 500; Standard hours worked – 6000; Actual labour cost – 2400
Calculate labour variances.

**Section C** $(2 \times 15 = 30)$ Marks

**PART - A - Case Study - Compulsory Question**

19. Ganesh Bros. Sells goods on cash & credit terms and also purchased goods on cash & credit terms. The following particulars are obtained from their books:

| Particulars | Rs |
|---|---|
| Total Sales | 500000 |
| Cash sales | 40000 |
| Sales returns | 20000 |
| Debtors at the end | 80000 |
| Bills receivables at the end | 20000 |
| Reserve for doubtful debts | 1000 |

| | |
|---|---|
| Total purchases | 300000 |
| Cash purchases | 50000 |
| Purchase returns | 10000 |
| Creditors at the end | 60000 |
| Bills payable at the end | 20000 |
| Reserve for discount on creditors | 2000 |
| Opening stock | 50000 |
| Closing stock | 40000 |
| Gross profit | 100000 |
| Fixed assets | 1000000 |

Calculate Turnover Ratios

## PART - B

Answer any **ONE** questions

20. K produces and sells a product for which total capacity of 2000 units exists. The following expenses are for the production of 1000 units of the product which is sold at Rs 130 per unit.

| Particulars | Per Unit(Rs.) |
|---|---|
| Direct materials | 20 |
| Direct wages | 30 |
| Administration overheads (Constant) | 20 |
| Selling expenses (50% fixed) | 10 |
| Distribution expenses (25% fixed) | 20 |
| Total | 100 |

You are required to prepare a flexible budget for the production and sale of 1200 units, 1600 units, showing clearly the marginal (variable) cost and total cost at each other.

21. An automobile manufacturing company finds that the cost of making Part No 208 in its own workshop is Rs 6. The same part is available in the market at 5.60 with an assurance of continuous supply. The cost data to make the part are:

| | |
|---|---|
| Material | Rs 2 |
| Direct labour | Rs 2.50 |
| Other variable costs | Rs 0.50 |
| Fixed costs allocated | Rs 1 |
| Total | Rs 6 |

a. Should the part be made or bought?
b. Will your answer be different if the market price is Rs 4.60?
Show your calculations clearly.