SHRIMATHI DEVKUNVAR NANALAL BHATT VAISHNAV COLLEGE FOR WOMEN (AUTONOMOUS)
(Affiliated to the University of Madras and Re-accredited with 'A+' Grade by NAAC)
Chromepet, Chennai — 600 044.
M.Com.(A&F) END SEMESTER EXAMINATIONS APRIL - 2022
SEMESTER - IV
20PAFET4005 - Accounting for Decision Making

Total Duration : 3 Hrs. **Total Marks : 60**

Section A

Answer any **SIX** questions $(6 \times 5 = 30$ Marks)

1. The cost sheet of a product is given as under:

	Rs.	Rs.
Direct material		10
Direct wages		6
Factory overhead:		
Fixed variable	1.00 1.00	2.00
Administrative expenses		1.50
Selling and distribution overheads:		
Fixed Variable	0.50 1.00	1.50
		21.00

The Selling price is Rs.24. The above figures are for the output of 50,000 units. The capacity of the firm is 65,000 units. A foreign customer is desirous of buying 15,000 units at price of Rs.20 per unit. Advice the manufacturer whether the offer should be accepted.What will be your choice advice if the order was from a local merchant?

2. The management of Sonata Ltd. (which us now operating at 50% capacity) expects that the volume of sales will drop below the present level of 5,000 units per month.The operating statement prepared for monthly sales shows the following positions:

	Rs.	Rs.
Sales (5,000 units at Rs.3 per unit)		15,000
Less: Variable cost (at Rs.2 per unit)	10,000	
Fixed costs	5,000	15,000
Profit		Nil

It is proposed that the company should suspend production until market conditions improve.The general manager estimated that minimum fixed costs (shutdown costs) amounting to Rs.2,000 would be necessary in any event.Advice management at which level of sales it could think of suspending production?If the selling price is reduced to Rs.2.80.What should be the sales level for shut down decision?

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3. A company has capacity of producing 5,00,000 units of a certain product per annum.The sales department reports that the following prices are possible at various levels of production.

Volume of production	**Selling price per unit**
60%	2.00
70%	1.80
80%	1.60
90%	1.40
100%	1..25

The variable cost of manufacture between these levels is Re.0.40 per unit and fixed cost Rs.4,00,000.Prepare a statement showing incremental revenue and differential cost at each level. At which volume of production will the profit be maximum?

4. XYZ Company wishes to arrange O.D.facilities with its bankers during the period April - June, when it will be the manufacturing mostly for stock.
(i) Prepare cash budget for the above period from the following data:

Months	**Sales** (**Rs.**)	**Purchases** (**Rs.**)	**Wages** (**Rs.**)
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

(ii) 50% of credit sales is realised in the month following the sale and the other 50% in the second month following. Creditors are paid in the month following the month of purchase.
(iii) Wages are paid at the end of the respective month.
(iv) Cash at bank - 1^{st} April – Rs.25,000.

5. You are required to prepare a selling overhead budget from the estimates given below:

	Rs.
Advertisement	1,000
Salaries to the department	1,000
Expenses of the sales department (fixed)	750
Salaries and dearness allowance	3,000
Commission at 1% on sales effected (other than those of agents)	
Carriage outwards estimated at 5% on sales.	
Agent's Commission- 6 $\frac{1}{2}$ % on sales.	
The sales during the period were estimated as follows:	
Rs.80,000 including agent's sales	8,000
Rs.90,000 including agent's sales	10,000
Rs.1,00,000 including agent's sales	10,500

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6. What are the objectives of Transfer Pricing?

7. Write short note on "Activity Based Costing".

8. MS Company Ltd. is a leading manufacturer of a certain consumer durable product. The company has two divisions - Engineering and Assembly. The output of the engineering division is transferred to the assembly division for further processing and assembling before being sold to the customer as complete product. Verification of the company's records reveals that the variable cost per unit of the product for engineering and assembly are Rs.250 and Rs.300 respectively. The fixed cost of engineering division is Rs.15,000 and that of the assembly division is Rs.10,000. The product variable cost per unit of engineering division is Rs.400, and the total output is 100 units which are sold to customer on completion @ Rs.2000 per unit. If the engineering division decides to charge its transfers to assembly division at cost plus 150%, what will be ABC's overall profit and the profits of its two divisions?

Section B

Part A

Answer any **TWO** questions $(2 \times 10 = 20$ Marks)

9. Following information has been made available from the cost records of United Automobiles Ltd. manufacturing spare parts:

Direct material	Per unit
X	Rs.8
Y	Rs.6
Direct wages	
X	24 hours @ 25 ps per hour
Y	16 hours @ 25 ps per hour
Variable overheads 150% of Direct wages.	
Fixed overheads (total)	Rs.750
Selling Price	
X	Rs.25
Y	Rs.20

The directors want to be acquainted with the desirability of adopting anyone of the following alternative sales mixes in the budget of the next period.
(a) 250 units of X and 250 units of Y.
(b) 400 units of Y only.
(c) 400 units of X and 100 units of Y.
(d) 150 units of X and 350 units of Y.
State which of the alternative sales mixes you would recommend to the management.

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10. A company has capacity of producing 1,00,000 units of a product.The variable cost is Re.0.15 per unit.Fixed cost is Rs.40,000.From the following schedule of sale prices prepare a statement showing incremental revenue and differential cost. At which volume of production, the profit be maximum? If there is a foreign offer at Re.0.50 per unit for the balance capacity over the maximum profit volume, can it be accepted? Why?

Volume of production	**Selling price per unit**
60%	0.90
70%	0.80
80%	0.75
90%	0.67
100%	0.61

11. Explain the different methods of Transfer Pricing.

12. A manufacturing company produces two products X and Y. The particulars relating to two products are given below:

Particulars	**Product X**	**Product Y**
Direct Material cost per unit	10	12
Direct Wages per unit	10	8
Units Produced	200	200
Direct Labour per unit	12	12
Material moves per product line	10	14

Budget material handling cost Rs.24,000.

Determine cost per unit of the products using ABC method.

Part B

Compulsory question $(1 \times 10 = 10$ Marks)

13. The expenses budgeted for production of 10,000 units in a factory are furnished below:

	Per unit (Rs.)
Material	70
Labour	25
Variable overhead	20
Fixed overhead (Rs. 1,00,000)	10
Variable expenses (Direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses (50,000)(Fixed for all levels)	5
Total cost per unit (to make and sell)	155

Prepare a flexible budget for the production of (a) 8,000 units and (b) 6,000 units.

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