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 - 2023
SEMESTER - IV
20PAFET4005 - Accounting for Decision Making

Total Duration : 2 Hrs. 30 Mins. Total Marks : 60

Section B

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

1. State CVP analysis and its usefulness to Finance Management.
2. XYZ Ltd. has prepared a budget for the production of a lakh units of the only commodity manufactured by them for a costing period as under:

Raw materials	Rs.2.52 per unit
Direct labour	Rs.0.75 per unit
Direct expenses	Rs.0.10 per unit
Works overheads (60% fixed)	Rs.2.50 per unit
Administration overheads (80% fixed)	Rs.0.40 per unit
Selling overheads (50% fixed)	Rs.0.20 per unit

The actual production during the period was only 60,000 units. Calculate the revised budgeted cost per unit.

3. Division A is a profit centre which produces three products: X, Y and Z. Each product has an external market.

Particulars	**X**	**Y**	**Z**
External market price per unit (Rs.)	48	46	40
Variable cost of production in Division A (Rs.)	33	24	28
Labour hours per unit	3	4	2

Product Y can be transferred to Division B, but the maximum quantity that might be required for transfer is 300 units of Y.

The maximum external sales are:
X: 800 units, Y: 500 units, Z: 300 units

Instead of receiving transfers of product Y from Division A, Division B could buy similar product in the open market at a slightly cheaper price of Rs.45 per unit. What should the transfer price be for each unit for 300 units of Y, if the total labour hours available in Division A are: (a) 3,800 hours (b) 5,600 hours

4. A company manufacturing two products furnishes the following data for a year:

Product	**Annual Output (Units)**	**Total Machine hours**	**Total number of purchase orders**	**Total number of set-ups**
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity costs	Rs.5,50,000
Set-up related costs	Rs.8,20,000
Purchase related costs	Rs.6,18,000

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You are required to calculate the cost per unit of each Product A and B based on:
i. Traditional method of charging overheads.
ii. Activity based costing method.

5. Velan Exports Ltd. is producing and selling 20,000 units of its product in the home market at a price of Rs.60 per unit. The price per unit cost is as follows:

Direct Materials	Rs.10
Direct Labour	Rs.7

Factory expenses:

Fixed	Rs.12
Variable	Rs.4

Office and Selling Expenses:

Fixed	Rs.6
Variable	Rs.3

An importer from Australia placed an order for 6,000 units at a price of Rs.30 per unit. Execution of Australian order will result in an additional cost of Rs.10,000 over and above the variable cost. Should the Australian order be accepted? Show complete working.

6. From the following data, calculate: 1) Break Even Point expressed in amount of sales in rupees, 2) Number of units that must be sold to earn a profit of Rs.60,000 per year.

Particulars	**Rs.**
Sales price	20 per unit
Variable manufacturing cost	11 per unit
Variable selling cost	3 per unit
Fixed factory overhead	5,40,000 per year
Fixed selling cost	2,52,000 per year

7. The budgeted output of a factory specializing in the production of single product at the optimum capacity of 6,400 units per annum amounts to Rs.1,76,048 as detailed below:

Particulars	**Rs.**	**Rs.**
Fixed Cost		20,688
Variable Cost:		
Power	1,440	
Repairs etc.,	1,700	
Miscellaneous	540	
Direct materials	49,280	
Direct labour	1,02,400	1,55,360
		1,76,048

Having regard to possible impact on sales turnover by market trends, the company decides to have a flexible budget with a production of 3,200 and 4,800 units (the actual quantity proposed to be produced being left to a later date before commencement of budget period). Prepare a flexible budget for production levels @ 50% and 75%. Assuming the sale per unit is maintained at Rs.40 as at present, indicate the effect on net profit. Administration, selling and distribution expenses continue at Rs.3,600.

8. Explain the term ‘Target costing’ with illustration.

Section C

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

9. a) Explain the concept of differential costing in managerial decision making.
   b) Write short notes on any two of the following:
      i. Activity Based Costing.
      ii. Traditional Costing.
      iii. Elements involved in ABC.
      iv. Uses of Activity Based Information.

10. Ram Ltd. produces P by its two divisions, X and Y. P is first processed in X and then in Y. X and Y are treated as profit centers. The cost-volume-profit structure is as given below:

Output units	X Costs (Rs.)	Y Net revenue (Rs.)	Profit (Rs.)
1,000	900	4,000	3,100
1,100	1,000	4,300	3,300
1,200	1,120	4,540	3,420
1,300	1,250	4,730	3,480
1,400	1,400	4,900	3,500
1,500	1,580	5,030	3,450
1,600	1,800	5,110	3,310

Note: Net revenue for Y is the sale proceeds minus costs incurred in Y. These costs do not include the price of transferred material chargeable by X. Find and explain the optimum transfer price for Ram Ltd.

11. Ascertain cash budget from the following XYZ limited:

MONTH	SALES	PURCHASE	WAGES
FEB	1,80,000	1,24,800	12,000
MAR	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

   a. 50% of credit sales is realized in the month following the sales and other 50% in the second month.
   b. Creditors are paid in the month following the month of purchase.
   c. Wages are paid at the end of the respective month.
   d. Cash at bank on 1^{st} April 25,000.

12. Calculate a) Contribution b) P/V Ratio c) Break Even Point d) Margin of safety as percentage of sales.

Particulars	First Half	Second Half
Sales	2,40,000	3,00,000
Total Cost	2,18,000	2,60,000
Profit	22,000	40,000

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

13. Following information has been made available from the cost records of Automobiles Ltd., manufacturing spare parts,

Particulars	**X**	**Y**
Direct materials (per unit)	Rs.8	Rs.6
Direct Labour (per hour)	Rs.6	Rs.4
Selling Price (per unit)	Rs.25	Rs.20
Variable overheads	Rs.9	Rs.6
Fixed overheads	Rs.750	

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mix

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

Compute and describe which of the alternative sales mix you would recommend to the management.

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