

S.No. 669

08PCM02/08PCZ02

(For the candidates admitted from 2008–2009 onwards)

M.Com./M.Com. (CA) DEGREE EXAMINATION,
APRIL/MAY 2018.

First Semester

ACCOUNTING FOR MANAGERIAL DECISIONS

Time : Three hours

Maximum : 75 marks

PART A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) What are the scope of Management Accounting?

Or

- (b) Write down the limitations of Management Accounting.

2. (a) From the following profit and loss account, prepare common size income statement:

Profit and loss account

Particulars	2013	2014	Particulars	2013	2014
To Cost of goods sold	500	640	By sales	700	900
To Administrative expenses	20	20			

To selling expenses	30	40		
To Net profit	150	200		
	<u>700</u>	<u>900</u>	<u>700</u>	<u>900</u>

Or

(b) Find out the value of creditors from the following:

Sales Rs. 50,000; G.P. ratio 10%; Creditors velocity 73 days; Opening stock Rs. 5,000; Closing stock Rs. 10,000; Bills payable Rs. 3,000.

3. (a) From the following balance sheets of a company, prepare funds flow statement.

Liabilities	2013 (Rs.)	2014 (Rs.)	Assets	2013 (Rs.)	2014 (Rs.)
Accounts payable	45,000	50,000	Cash	75,000	35,000
Bills payable	55,000	20,000	Accounts receivable	90,000	98,000
Capital	1,50,000	1,25,000	Inventory	1,20,000	87,000
Retained earnings	75,000	60,000	Long term Investments	10,000	15,000
			Land	30,000	20,000
	<u>3,25,000</u>	<u>2,55,000</u>		<u>3,25,000</u>	<u>2,55,000</u>

Or

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(b) Calculate Cash from operations from the following:

	I Year (Rs.)	II Year (Rs.)
Profit and loss appropriation account	10,000	20,000
Bills receivable	18,000	22,000
Provision for depreciation	40,000	42,000
Outstanding rent	1,600	4,000
Prepaid insurance	2,000	1,800
Goodwill	24,000	20,000
Stock	12,000	16,000

4. (a) Prepare a production budget for three months ending March 31, 2013 for a factory producing four products on the basis of the following information:

Product	Opening stock (units)	Estimated sales (units)	Closing stock (units)
A	2,000	10,000	5,000
B	3,000	15,000	4,000
C	4,000	13,000	3,000
D	5,000	12,000	2,000

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- (b) The sales director of a company reports that next year he expects to sell 50,000 units of a particular product. The production manager consults the storekeeper and casts his figures as follows:

Two kinds of raw materials A and B are required for manufacturing the product. Each unit of the product requires 2 units of A and 3 units of B. The estimated opening balances at the commencement of the next year as follows:

Finished product 10,000 units

Raw material A 12,000 units; Raw material B 15,000 units. The desirable closing balances at the end of next year are:

Finished product 14,000 units

Raw material A 13,000 units; Raw material B 16,000 units.

Prepare a Production budget and Materials purchase budget for the next year.

5. (a) What are the various types of variances?

Or

- (b) The standard time and rate per unit component are given below:

Standard hours 20

Standard rate Rs. 5 per hour

Actual data and related information are as under:

Actual production 1,000 units

Actual hours 20,500 hours

Actual rate per hour Rs. 4.80

Calculate Labour cost variance, Labour rate variance and labour efficiency variance.

PART B — (5 × 10 = 50 marks)

Answer ALL questions.

6. (a) Distinguish between Financial Accounting and Management Accounting.

Or

- (b) Explain the functions of Management Accounting.

7. (a) From the following Information prepare a balance sheet with as many details as possible:

	Rs.		Rs.
Gross profit	80,000	Current assets	1,50,000
Gross profit to Cost of goods sold ratio	1/3	Accounts payable velocity	90 days
Stock velocity	6 times	Bills receivable	Rs. 20,000
Opening stock	36,000	Bills payable	5,000
Accounts receivable velocity (year 360 days)	72 days	Fixed assets turnover ratio	8 times

Hint : Turnover refers to Cost of sales.

Or

- (b) Make out the balance sheet with as many details as possible:

Debtors velocity	3 months
Creditors velocity	2 months
Stock velocity	8 times
Capital turnover ratio	2.5 times
Fixed assets turnover ratio	8 times
Gross profit ratio	25%

Gross profit in a year amounts to Rs. 80,000. There is no long term loan or overdraft. Reserves and surplus amount to Rs. 28,000. Liquid assets are Rs. 97,333. Closing stock of the year is Rs. 2,000 more than the Opening stock. Bills receivable amount to Rs. 5,000 and Bills payable to Rs. 2,000.

8. (a) Prepare a Funds flow statement from the following data:

Liabilities	2013 (Rs.)	2014 (Rs.)	Assets	2013 (Rs.)	2014 (Rs.)
Equity capital	5,000	5,300	Cash	2,000	2,500
Long term debt	1,400	1,300	Accounts receivable	2,400	2,700
Retained earnings	2,800	3,700	Inventories	3,100	3,200
Accumulated depreciation	2,100	2,500	Other current assets	800	700
Accounts payable	2,000	2,100	Fixed assets	5,000	5,800
	<u>13,300</u>	<u>14,900</u>		<u>13,300</u>	<u>14,900</u>

Additional information:

- (i) Fixed assets costing Rs. 1,200 were purchased for cash.
- (ii) Fixed assets (original cost Rs. 400; accumulated depreciation Rs. 150) were sold at book value.
- (iii) Depreciation for the year 2014 amounted to Rs. 550 and debited to profit and loss account.
- (iv) Dividend paid amounted to Rs. 300 in 2014.
- (v) Reported income for 2014 was Rs. 1,200.

Or

(b) From the summarized balance sheets of A Ltd., prepare Cash flow statement:

Liabilities	2013 (Rs.)	2014 (Rs.)	Assets	2013 (Rs.)	2014 (Rs.)
Share capital	10,000	10,000	Goodwill	1,200	1,200
General reserve	1,400	1,800	Land	4,000	3,600
Profit and loss account	1,600	1,300	Building	3,700	3,600
			Investments	1,000	1,100
Sundry creditors	800	600	Inventories	3,000	2,400
Outstanding expenses	120	100	Bills receivable	2,000	2,300
Provision for taxation	1,600	1,800	Bank	700	1,500
Provision for bad debts	80	100			
	<u>15,600</u>	<u>15,700</u>		<u>15,600</u>	<u>15,700</u>

Additional Information;

- (i) A piece of land has been sold for Rs. 400
- (ii) Depreciation of Rs. 700 has been charged on buildings.
- (iii) Provision for taxation Rs. 2,000 has been made during the year.

9. (a) X Ltd. wishes to arrange overdraft with its bankers during the period April to June 2013, when it will be manufacturing mostly for stock. Prepare a cash budget for the above period, from the following data, indicating the extent of bank facilities the company will require at the end of each month:

(i) Month	Credit 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 are realized in the month following the sales and the remaining 50% in the second month following.
- (iii) Creditors are paid in the month following the month of purchases
- (iv) Lag in payment of wages 1 month
- (v) Cash at bank on April 1, 2013 (estimated) Rs. 25,000.

Or

- (b) Draw up a flexible budget for overhead expenses on the basis of the following data, determine the overhead rates at 70%, 80% and 90% plant capacity:

Particulars	At 80% capacity (Rs.)
Variable overheads:	
Indirect labour	12,000
Store including spares	4,000
Semi variable overheads:	
Power (30% fixed)	20,000
Repairs and maintenance (40% variable)	2,000
Fixed overheads:	
Depreciation	11,000
Insurance	3,000
Salaries	10,000
Estimated direct labour hours	1,24,000

10. (a) What are the limitations of standard costing?

Or

- (b) A gang of workers normally consists of 30 men, 15 women and 10 boys. They are paid at standard hourly rates of Re. 0.80, Re. 0.60 and Re. 0.40 respectively. In a normal working week of 40 hours the gang is expected to produce 2,000 units of output.

During the particular week, the gang consisted of 40 men, 10 women and 5 boys. The actual wages paid were Re. 0.70, Re. 0.65 and Re. 0.30 respectively. 4 hours per worker were lost due to abnormal idle time and 1,600 units were produced. Calculate labour variances.