

M.Com. Semester-II (CGS) Examination
ACCOUNTING FOR MANAGERIAL DECISIONS

Time : Three Hours]

[Maximum Marks : 80

Note :— (1) **ALL** questions are compulsory.

(2) Section-A and Section-B should both be solved.

(3) The figures to the right indicate marks to the question.

(4) Give working notes wherever necessary.

SECTION—A

1. Fixed Assets Turnover Ratio =

(a) Net Sales + Fixed Assets	(b) Net Sales – Fixed Assets	
(c) Net Sales × Fixed Assets	(d) Net Sales ÷ Fixed Assets	1
2. _____ Ratio express the relationship of Gross Profit to net sales or turnover.

(a) Gross Profit	(b) Net Profit	
(c) Operating	(d) Activity	1
3. _____ Ratio is an indicator of the efficiency of the investment in stock.

(a) Fixed Assets Turnover	(b) Working Capital Turnover	
(c) Stock Turnover	(d) Debtors Turnover	1
4. The term 'Creditors' include :

(a) Trade Creditors	(b) Bill Payable	
(c) Both (a) and (b)	(d) None of the above	1
5. _____ means those deposits which are repayable by bank on demand by the depositor.

(a) Cash in Hand	(b) Demand Deposits	
(c) Fixed Deposits	(d) None of the above	1
6. Working Capital equal to :

(a) Current Assets – Current Liabilities	(b) Current Assets + Current Liabilities	
(c) Current Assets × Current Liabilities	(d) Current Assets ÷ Current Liabilities	1
7. Flow of Funds include :

(a) Inflow	(b) Outflow	
(c) Both (a) and (b)	(d) None of the above	1
8. If Current Assets are more than the previous year's current assets, indicate _____ in working capital.

(a) Increase	(b) Decrease	
(c) Bothe (a) and (b)	(d) None of the above	1

9. _____ is based upon engineering specification.
- (a) Standard Cost (b) Product Cost
(c) Prime Cost (d) Marginal Cost 1
10. In cost variances, if the standard cost of actual output exceeds the actual cost, then the variance is said to be _____.
- (a) Favourable (b) Unfavourable
(c) Average (d) All the above 1
11. Material Price Variance is calculated by :
- (a) Actual Quantity + (Standard Price – Actual Price)
(b) Actual Quantity – (Standard Price + Actual Price)
(c) Actual Quantity × (Standard Price × Actual Price)
(d) Actual Quantity × (Standard Price – Actual Price) 1
12. The difference between the Actual Cost and the Standard Cost is known as :
- (a) Profit (b) Difference Cost
(c) Variance (d) Loss 1
13. In cost accounting marginal cost does not include :
- (a) Fixed Cost (b) Variable Cost
(c) Inventory Cost (d) None of the above 1
14. Contribution Minus _____ Cost is Profit.
- (a) Fixed (b) Prime
(c) Variable (d) Direct 1
15. Margin of safety sales indicates :
- (a) Total Sales ÷ Breaks Even Sales (b) Total Sales × Break Even Sales
(c) Total Sales + Break Even Sales (d) Total Sales – Break Even Sales 1
16. P/V Ratio shows the relation between :
- (a) Fixed Cost and Sales (b) Variable Cost and Sales
(c) Profit and Sales (d) Contribution and Sales 1
17. A factor which influences all other budgets is called :
- (a) Direct Factor (b) Indirect Factor
(c) Key Factor (d) None of these 1

18. In flexible budget, expenses are classified as _____.
 (a) Direct and Indirect Expenses
 (b) Administrative, Selling and Factory Expenses
 (c) Fixed, Semi-Variable and Variable Expenses
 (d) Past and Current Expenses 1
19. Production Budget is followed by :
 (a) Cost Budget (b) Material Budget
 (c) Fixed Budget (d) Sales Budget 1
20. Budget is prepared _____.
 (a) Before a specified period (b) After a specified period
 (c) During a specified period (d) None of the above 1

SECTION—B

1. What is Management Accounting ? Explain briefly its scope and functions. How does it promote better management in business ? 12

OR

Following is the Balance Sheet of 'A' Limited Company as at 31st December, 2018 :

Liabilities	Amount (Rs.)	Assets	Amount (Rs.)
Equity Share Capital	2,00,000	Goodwill	1,20,000
Capital Reserve	40,000	Fixed Assets	2,80,000
Mortgage Loan	1,60,000	Stock	60,000
Creditors	80,000	Debtors	60,000
Bank Overdraft	20,000	Investments	20,000
Taxation (Rs.) :		Cash in Hand	60,000
Current 20,000			
Future 20,000	40,000		
Profit After			
tax & interest 1,20,000			
(–) Transfer to			
Reserve 40,000			
Dividend 20,000	60,000		
	60,000		
	6,00,000		6,00,000

You are required to find out :

- (1) Proprietary Ratio
- (2) Ratio of Shareholder's Equity to Fixed Asset
- (3) Fixed Asset Ratio
- (4) Fixed Assets to Long-term Liabilities Ratio.

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2. Following are the Balance Sheets of Komal Ltd. for the year ended on 31 March 2018 and 2019 :

(Rs. in Lakh)					
Liabilities	31.3.18	31.3.19	Assets	31.3.18	31.3.19
Share Capital	200	320	Goodwill	100	80
8% Redeemable Preference Share Capital	150	90	Land & Building	200	170
General Reserve	40	70	Plant & Machinery	80	200
Profit & Loss A/c	30	48	Debtors	150	250
Debentures (of Rs.100 each)	100	90	Stock	87	59
Creditors	55	83	Bills Receivable	20	30
Bills Payable	20	16	Cash & Bank Balance	25	18
Proposed Dividend	42	50	Preliminary Expenses	15	10
Provision for Tax	40	50			
	677	817		677	817

Additional Informations are :

- (i) An interim dividend of Rs. 20,00,000 has been paid in 2019.
- (ii) Rs. 35,00,000 Income Tax was paid during the year 2019.
- (iii) Dividend of Rs. 28,00,000 was paid during the year 2019.
- (iv) During the year assets of another company were purchased for consideration of Rs. 50,000 payable in shares. The assets purchased were : Stock Rs. 20,00,000 Machinery Rs. 25,00,000.
- (v) Rs. 60,00,000, 8% Redeemable preference shares were redeemed at a premium of 5%.
- (vi) A part of plant was sold for Rs. 20,00,000 W.D.W. Rs. 25,00,000 Depreciation on Plant Rs. 20,00,000 for the year 2019 is to be provided.
- (vii) Depreciate Land and Building by Rs. 10,00,000 Land Costing Rs. 20,00,000 was sold for Rs. 50,00,000.
- (viii) Bonus shares of Rs. 10,00,000 were issued to the exiting shareholders during the year.
- (ix) Rs. 10,00,000, 10% debentures were redeemed by Purchase in the open Market @ Rs. 95.

Prepare Fund Flow Statement.

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OR

The following are the summarised Balance Sheet of Philips India Limited on 31st March 2018 and 2019 :

Liabilities	31.03.2018	31.03.2019	Assets	31.03.2018	31.03.2019
Share Capital	13,50,000	13,50,000	Fixed Assets	12,00,000	9,60,000
General Reserve	9,00,000	9,30,000	Investments	1,50,000	1,80,000
P & L A/c	1,68,000	2,04,000	Stock	7,20,000	6,30,000
Creditors	5,04,000	4,02,000	Debtors	6,30,000	13,65,000
Provision for taxation	2,25,000	30,000	Bank	4,47,000	5,91,000
Mortgage loan	—	8,10,000			
	31,47,000	37,26,000		31,47,000	37,26,000

Additional Information :

- (1) Investment costing Rs. 24,000 were sold during the year for Rs. 25,500.
- (2) Provision for tax made during the year was Rs. 27,000.
- (3) During the year part of the fixed assets costing Rs. 30,000 were sold for Rs. 36,000. The profit was included in Profit & Loss Account.
- (4) Dividend paid during the year amounted to Rs. 1,20,000.

You are required to prepare Cash Flow statement. 12

3. Explain briefly the terms 'Standard Cost' and 'Standard Costing'. Enumerate their advantages. 12

OR

The Standard Material Cost for a normal mix of one metric tonne of chemical X is based on :

Chemicals	Usage (kg)	Price per kg
A	240	6
B	400	12
C	640	10

During a month, 6.25 metric tonnes of X were produced from :

Chemicals	Consumption Metric tonnes	Costs (Rs.)
A	1.6	11,200
B	2.4	30,000
C	4.5	47,250
	8.5	88,450

Analysis the variance. 12

4. The following data relate to Vijay Private Ltd. :

	Rs.
Sales (16000 Unit @ Rs. 150)	24,00,000
Variable Expenses	<u>-19,20,000</u>
Contribution →	4,80,000
Fixed Expenses	<u>-3,60,00</u>
Profit →	<u><u>1,20,000</u></u>

- (a) What sales are needed to achieve the objective of no Profit no Loss ?
- (b) What sales are necessary to result in a net income of Rs. 1,10,000, the corporate income tax rate being 45% ?
- (c) What should be the Selling Price per unit if break-even point is brought down to 10,000 units ?
- (d) What will be the break-even point if 10% increase is effected in Selling Price ?
- (e) What additional sales will be required to cover an increase of Rs. 90,000 in fixed cost.

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OR

A company's current output is around 70% of an annual capacity of 19,000 units. One exporter has offered to buy 5,000 units at a special price of Rs. 150 per unit. At present the company has been selling @ Rs. 210 per unit. The Standard Cost per unit is as under :

	Rs.
Cloth and other materials	82
Labour charges	25
Fixed Cost	42
Administrative Variable Cost	11
	<u>160</u>

- (A) Should the Company accept the offer ?
- (B) What would be your advise if the exporter offers to buy 10,000 units instead of Rs. 5,000 units ?

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5. Prepare a cash budget in respect of the six months ended on December 31st, from the following information :

Months	Sales (Credit)	Materials	Wages	Overheads				
				Production	Administration	Selling	Distribution	Research
April	25,000	10,000	2,500	1,100	750	400	200	250
May	30,000	15,000	2,800	1,200	725	425	225	250
June	20,000	10,000	2,000	1,250	760	375	175	300
July	25,000	15,000	2,100	1,150	740	425	225	300
August	30,000	17,500	2,300	1,300	755	475	275	350
Sept.	35,000	20,000	2,500	1,350	770	500	300	350
Oct.	40,000	22,500	2,600	1,450	780	512	313	430
Nov.	45,000	25,000	2,700	1,500	785	538	337	400
Dec.	50,000	27,500	2,900	1,600	800	575	375	400

Other Information are :

- (1) Cash Balance on July, 1st was expected to be Rs. 37,500.
- (2) Extension to Research Dept., amounting to Rs. 2,500 will be completed on August 1, payable Rs. 500 per month as from completion date.
- (3) Under a hire purchase agreement Rs. 1,000 payable every month.
- (4) Sales commission of 5% on actual sales is to be paid within the month following the actual sales.
- (5) Period of credit allowed by suppliers is 3 months and to customers is 2 months.
- (6) Delay in payment of overheads is 1 month and of wages is 1/8 month.
- (7) Income tax of Rs. 25,000 is due to be paid on October 1.
- (8) Preference shares dividend of 10% on capital of Rs. 5,00,000 is to be paid on November 1st.
- (9) Calls @ 10% on ordinary capital of Rs. 1,00,000 is due on July 3rd and September 1st.
- (10) Dividend of Rs. 7,500 on Investment is expected on November, 1st.
- (11) Cash sales of Rs. 500 per month are expected on which no commission will be payable.

12

OR

What are the essential characteristics of a good report for management? Distinction between a Control Report and Information Report.

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