AU–1544

M.Com. Semester—II Examination

ACCOUNTING FOR MANAGERIAL DECISIONS (Old)

Paper—201

Time : Three Hours] [Maximum Marks : 80

Note :—(1) ALL questions are compulsory

(2) All questions carry equal marks.

(3) Give working notes wherever necessary.

1. Explain the term 'Responsibility Accounting'. Give types of responsibility centres. Focus on characteristics of responsibility reporting. 16

OR

The Balance Sheet of Pratik Ltd. was as follows as on 31st March, 2018 :

Liabilities	Rs.	Assets	Rs.
Share Capital	30,00,000	Land and Building	30,00,000
P&L A/c	5,00,000	Plant and Machinery	15,00,000
Debentures	15,00,000	Stock	5,00,000
Creditors	4,00,000	Debtors	4,00,000
Bills Payable	3,50,000	Cash at Bank	3,50,000
Other Current Liabilities	2,50,000	Other Current Assets	2,50,000
	60,00,000		60,00,000

Sales for the year Rs. 50,00,000

Cost of Sales Rs. 34,00,000

You are required to calculate the following ratios :

(1) Current Ratio

(2) Liquid Ratio

(3) Stock Turnover Ratio

(4) Average Collection Period. 16

2. From the following particulars, prepare a statement showing Changes in Working Capital and Funds Flow Statement :

Balance Sheets

Liabilities	2016-17	2017-18	Assets	2016-17	2017-18
Share Capital	4,80,000	5,05,000	Cash	20,000	18,000
Creditors	1,40,000	1,50,000	Debtors	1,75,000	1,92,000
Bills Payable	40,000	55,000	Stock	1,25,000	1,10,000
Bank Loan (long term)	1,50,000	2,25,000	Land	1,00,000	1,50,000
Depreciation Funds	1,35,000	1,80,000	Building	3,50,000	4,65,000
Provision for Tax	1,40,000	1,25,000	Machinery	3,35,000	3,60,000
Profit & Loss A/c	1,20,000	1,35,000	Goodwill	1,00,000	80,000
	12,05,000	13,75,000		12,05,000	13,75,000

Adjustments :

(1) A machinery of Rs. 25,000 was purchased by issuing shares of the company.

(2) Tax paid during the year Rs. 1,20,000.

(3) Dividend paid during the year Rs. 48,000. 16

OR

From the following Balance Sheets, prepare Cash Flow Statement for the year ended 31st March 2017 :

Liabilities	31st Mar. 2016 Rs.	31st Mar. 2017 Rs.	Assets	31st Mar. 2016 Rs.	31st Mar. 2017 Rs.
Capital	12,50,000	15,30,000	Building	3,50,000	6,00,000
Loan from X	2,50,000	—	Land	3,50,000	5,00,000
Loan from Bank	4,00,000	5,00,000	Machinery	8,00,000	5,50,000
Creditors	4,00,000	4,40,000	Stock	4,00,000	2,50,000
			Debtors	3,00,000	5,00,000
			Cash	1,00,000	70,000
	23,00,000	24,70,000		23,00,000	24,70,000

During the year a machine costing Rs. 1,00,000 with accumulated depreciation Rs. 30,000 was sold for Rs. 50,000. 16

3. Define standard costing. Explain its advantages and limitations. 16

OR

The standard material cost for 100 kg of chemical 'X' is made up of :

Chemicals	kgs	Rate per kg (Rs.)
A	40	30
B	50	50
C	60	60

500 kg 'X' chemical was produced in a Baton, from the following mix :

Chemicals	kgs	Total Cost (Rs.)
A	250	8,000
B	300	14,000
C	350	22,500

Analyse material variances. 16

4. You are given the following information :

Year	Sales (Rs.)	Profit (+), Loss(–)
2016-17	9,00,000	Rs. ( ) 1,00,000
2017-18	13,00,000	Rs. (+) 1,00,000

Calculate :

(a) Profit Volume Ratio

(b) Fixed Expenses

(c) Level of activity if Rs. 2,50,000 is to be earned as profit

(d) Expected profit if sales is Rs. 18,00,000.

(e) Margin of safety for 2017-18. 16

OR

An umbrella manufacturer makes an average profit of Rs. 25 per piece in selling at price of Rs. 143 by producing and selling 60,000 pieces or 60% of potential capacity. The cost of sales is :

	Rs.
Direct Material	35
Direct Wages	12.5
Works Overheads	62.5 (50% fixed)
Sales Overheads	8.0 (25% variable)

During the current year he intends to produce the same number but anticipates that his fixed charges will go up by 10% while rates of direct labour and direct material will increase by 8% and 6% respectively. But he has no option of increasing the selling price. Under this situation he obtains an offer for a further 20% of his capacity. What minimum price will you recommend for the offer to ensure the manufacturer an overall profit of Rs. 16.73 lakhs ? Justify your recommendations. 16

5. The following expenses at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 100% capacity :

	Expenses at 50% Capacity
Fixed Expenses :	
Salaries	60,000
Rent & Taxes	30,000
Depreciation Expenses	50,000
Administrative Expenses	80,000
Variable Expenses :	
Materials	2,50,000
Labour	2,00,000
Other	40,000
Semi-variable Expenses :	
Repairs	1,50,000
Indirect Labour	1,50,000
Other	40,000

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity; will rise by 10% between 60% and 75% capacity and a further increase of 5% when capacity crosses 75%.

Estimated sales at various levels of capacity are :

Capacity	Sales (Rs.)
60%	11,20,000
70%	13,00,000
100%	17,00,000

16

OR

What do you understand by "Reporting to Management" ? Write essential principles and qualities of a good report. 16