AU–1548

M.Com. Semester—II (CGS New) Examination

ACCOUNTING FOR MANAGERIAL DECISIONS

Time : Three Hours] [Maximum Marks : 80

Note :— (1) **ALL** questions are compulsory. Section A and Section B should both be solved.

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

(3) Give working notes wherever necessary.

SECTION—A

1. Debt to equity ratio is ______.
   (a) Liquidity Ratio (b) Solvency Ratio
   (c) Profitability Ratio (d) Proprietary Ratio 1

2. Long term solvency is indicated by ______.
   (a) Current Ratio (b) Debt/Equity Ratio
   (c) Net Profit Ratio (d) Proprietary Ratio 1

3. Short-term liquidity may be measured through _____.
   (a) Cash Ratio (b) Acid Test Ratio
   (c) Current Ratio (d) Inventory Ratio 1

4. Relationship between credit sale and cash collection may be stated as _____.
   (a) Quick Ratio (b) Cash Ratio
   (c) Receivable Turnover Ratio (d) Current Ratio 1

5. In a statement of changes in financial position, depreciation is treated as an adjustment to reported net earning because depreciation ______.
   (a) Is a source of fund (b) Does not reduce working capital
   (c) Is a use of working capital (d) Includes above features 1

6. Current assets minus current liabilities is defined as _____.
   (a) Fund (b) Working Capital
   (c) Cash (d) Total Financial Resources 1

7. Example of cash inflow in operating activities is :
   (a) Interest and dividend on loans and investments
   (b) Cash collection from debtors
   (c) Proceed from issue of share
   (d) Cash sale of property 1

8. Example of cash outflow in investing activities is ______.
   (a) Loan given to other firm
   (b) Re-acquiring preference or equity shares
   (c) Cash sale of investment in share
   (d) Repayment of loan 1

9. How is a labour rate variance computed ?
   (a) Difference between standard and actual rate multiplied by standard hours
   (b) Difference between standard and actual hours multiplied by actual rates
   (c) Difference between standard and actual rate multiplied by actual hours
   (d) Difference between standard and actual hours multiplied by the difference between standard and actual hours 1

10. While calculating variance from standard cost, the difference between actual and standard price multiplied by actual quantity gives a _____.
   (a) Total price and quantity variance (b) Price variance
   (c) Volume variance (d) Mix variance 1

11. Material usage variance results when _____.
   (a) Material is issued (b) Material is purchased
   (c) Material is used in production (d) Purchase order is originated 1

12. While calculating variance from standard cost, the difference between actual quantity and standard quantity multiplied by standard price gives a ______.

(a) Material usage variance (b) Material mix variance

(c) Material yield variance (d) Material price variance 1

13. When fixed cost is Rs. 10,000 profit volume ratio is 50%. The break-even point will be ______.

(a) Rs. 20,000 (b) Rs. 40,000

(c) Rs. 50,000 (d) None of these 1

14. When margin of safety is 20% and profit volume ratio is 60%, the profit will be _____.

(a) 30% (b) $33\frac{1}{3}\%$

(c) 12% (d) None of these 1

15. An increase in the physical sale, profit volume (P/V) will _____.

(a) Increase (b) Decrease

(c) No change (d) It may increase or decrease 1

16. At the break-even-point contribution will be equal to _____.

(a) Fixed Cost (b) Variable Cost

(c) Semi-variable Cost (d) Total Cost 1

17. Operating budget consists of _____.

(a) Programme budget and cash budget

(b) Responsibility budget and cash budget

(c) Programme budget and responsibility budget

(d) None of these 1

18. The most important budget among all budgets is _____.
    - (a) Sales budget
    - (b) Cash budget
    - (c) Production budget
    - (d) Production cost budget 1

19. A summary of all functional budgets in a capsule form is _____.
    - (a) Flexible budget
    - (b) Fixed budget
    - (c) Master budget
    - (d) Cash budget 1

20. Anticipated source and utilisation of cash in shown by _____.
    - (a) Capital expenditure budget
    - (b) Cash budget
    - (c) Budgeted balance sheet
    - (d) Research and development budget 1

SECTION—B

1. Explain the concept of Management Accounting and explain various tools of Management Accounting used by Management in achieving business goals. 12

OR

With the help of the following ratios regarding Indu Films, draw the Balance Sheet of the company for the year 2017-18 :

Current Ratio	2.5
Liquidity Ratio	1.5
Net Working Capital	Rs. 30,00,000
Stock Turnover Ratio (cost of sales/closing stock)	6 times
Gross Profit Ratio	20 percent
Fixed Assets Turnover Ratio (on cost of sales)	2 times
Debt Collection Period	2 months
Fixed Assets to Shareholders Net Worth	0.80
Reserve and Surplus to Capital	0.50

12

2. From the information as contained in the statement of Income and the Balance sheet of G.C. Ltd., you are required to prepare a Fund Flow Statement and to describe the significant developments revealed by the statement. You are also required to prepare a statement of Working Capital showing increase and decrease in each component thereof :

A. Statement of Income and Reconciliation of Earnings
For year ended on 31st March, 2018

Particulars	Rs.	Rs.
Net Sales		25,20,000
Less :		
Cost of Sales	19,80,000	
Depreciation	60,000	
Salaries and Wages	2,40,000	
Operating Expenses	80,000	
Provision for Taxation	88,000	24,48,000
Net Operating Profit		72,000
Non-recurring income :		
Profit on sale of an item of equipment		12,000
		84,000
Retained Earnings (balance in Profit and Loss A/c brought forward)		1,51,800
		2,35,800
Dividend declared and paid during the year		72,000
Profit and Loss A/c balance as on 31st March, 2018		1,63,800

B. Comparative Balance Sheet

Liabilities	31st March, 2017 Rs.	31st March, 2018 Rs.
Capital	3,60,000	4,44,000
Surplus in P. & L. A/c	1,51,800	1,63,800
Sundry Creditors	2,40,000	2,34,000
Outstanding Expenses	24,000	48,000
Income Tax Payable	12,000	13,200
Accumulated Depreciation on building and equipment	1,20,000	1,32,000
	9,07,800	10,35,000

Assets	31st March, 2017 Rs.	31st March, 2018 Rs.
Fixed Assets :		
Land	48,000	96,000
Building and Equipment	3,60,000	5,76,000
Current Assets :		
Cash	60,000	72,000
Debtors	1,68,000	1,86,000
Stocks	2,64,000	96,000
Advances	7,800	9,000
	9,07,800	10,35,000

Cost of equipments sold was Rs. 72,000. 12

OR

From the following Balance Sheets of Exe. Ltd., make out the statement of sources and uses of cash :

Liabilities	31st March, 2017 Rs.	31st March, 2018 Rs.
Equity Share Capital	30,00,000	40,00,000
8% Red. Pref. Share Capital	15,00,000	10,00,000
General Reserve	4,00,000	7,00,000
Profit and Loss A/c	3,00,000	4,80,000
Proposed Dividend	4,20,000	5,00,000
Creditors	5,50,000	8,30,000
Bills Payable	2,00,000	1,60,000
Provision for Taxation	4,00,000	5,00,000
	67,70,000	81,70,000

Assets	31st March, 2017 Rs.	31st March, 2018 Rs.
Goodwill	11,50,000	9,00,000
Land and Buildings	20,00,000	17,00,000
Plant	8,00,000	20,00,000
Debtors	16,00,000	20,00,000
Stock	7,70,000	10,90,000
Bills Receivable	2,00,000	3,00,000
Cash in Hand	1,50,000	1,00,000
Cash at Bank	1,00,000	80,000
	67,70,000	81,70,000

Additional Information :

(a) Depreciation of Rs. 1,00,000 and Rs.2,00,000 have been charged on plant and land buildings respectively in 2017-18.

(b) An interim dividend of Rs. 2,00,000 has been paid in 2017-18

(c) Rs. 3,50,000 Income Tax was paid during the year 2017-18. 12

3. Define Standard Costing. Explain advantages of standard costing and limitations of standard costing. 12

OR

The standard mix of product M5 is as follows :

Quantity in Lbs.	Material	Price per Lb.
50	A	50.00
20	B	40.00
30	C	100.00

The standard loss in production is 10% of input. There is no scrap value. Actual production for a month was 7,240 Lbs. of M5 from 80 mixes. Actual purchases and consumption of material during the month were :

Quantity in Lbs.	Material	Price per Lb. Rs.
4,160	A	55.00
1,680	B	37.50
2,560	C	95.00

You are required to calculate and present the following variances :

(i) Material Cost

(ii) Material Price

(iii) Material Mix

(iv) Material Yield. 12

4. Sport Material Manufacturing Company's director budged the following data for the coming year :

	Rs.
Sales (1,00,000 units)	10,00,000
Variable Costs	4,00,000
Fixed Costs	5,00,000

Find out :

(a) P/V Ratio, break even points and margin of safety.

(b) Evaluate the effect of the following changes on break even point :

(i) 10% decrease in selling price and 10% increase in physical sales volume

(ii) 10% increase in selling price and 20% decrease in physical sales volume

(iii) Rs. 50,000 variable costs decrease accompanied by Rs. 1,50,000 fixed costs increase. 12

OR

A manufacturing concern sells one of its product under the brand name "Utility" at Rs. 35 each, the cost of which is Rs. 30 each. After further processing which entails additional material and labour costs of Rs. 25 and Rs. 20 per number respectively, 'Utility' is converted into another product 'Ace' which is sold at Rs. 80 each. The concern at present produces per day 600 numbers of each of two products for which 2,500 labour hours are utilised. The factory overheads have been budgeted as under :

Labour Hours	2,000	2,500	3,000	3,500
Factory Overheads (Rs.)	7,000	8,000	9,000	10,000

The following alternative proposals have been put forth for varying the sales mix :

(a) To process the entire quantity of 'Utility' so as to convert it into 600 numbers of 'Ace'. This will need an additional 500 labour hours.

(b) To contribute the present level of output of 'Utility' but double the production of 'Ace'.

You are required to workout the incremental Profit/Loss involved in each of the two proposals and offer your suggestions. 12

5. From the following information relating to 2017 and conditions expected to prevail in 2017-18, prepare a budget for 2017-18. State the assumptions you have made :

2017 actuals	**Rs.**
Sales	10,00,000 (40,000 units)
Raw Materials	5,30,000
Wages	1,10,000
Variable Overheads	1,60,000
Fixed Overheads	1,00,000
2018 prospects :	
Sales	15,00,000 (60,000 units)
Raw Materials	5% increase
Wages	10% increase in wage rate
	5% increase in productivity
Additional Plant	One lathe Rs. 2,50,000
(Depreciation to be provided @ 10%)	One drill Rs. 1,20,000

12

OR

Describe in brief the need of information of different levels of management and point out clearly, how a system of reporting can satisfy them. 12