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. Banker's ratio means :

(a) Current Ratio (b) Quick Ratio

(c) Cash Ratio (d) Payout Ratio 1

2. Ratio of 'Net Sale' to 'Net Working Capital' :

(a) Working capital turnover ratio (b) Profitability ratio

(c) Liquidity ratio (d) Turnover ratio 1

3. Debtors Turnover Ratio is obtained by :

(a) Credit sale divided by average debtor (b) Credit sale divided by quick asset

(c) Average debtor divided by credit sale (d) Quick asset divided by credit sale 1

4. The ratio of net income to turnover expressed as a percentage is :

(a) Earning margin (b) Return on capital employed

(c) Return on equity (d) Asset turnover ratio 1

5. Working capital reduces when :

(a) Current assets are used to repay long-term debts

(b) Current assets are not used to repay long-term debts

(c) Current assets are used to repay short-term debts

(d) Current liabilities and current assets, decrease by the same amount 1

6. Working capital is not affected by :

(a) Increase in current assets and liabilities by same value

(b) Decrease in current assets and liabilities by same value

(c) Both the above

(d) None of these 1

7. Repayment of short-term debts is not a use of funds, since :

(a) Current assets and current liabilities, increase by the same amount

(b) Current assets and current liabilities, decrease by the same amount

(c) Current liabilities decrease only

(d) Current assets decrease only 1

8. Current assets minus current liabilities is defined as :
   (a) Fund
   (b) Working capital
   (c) Cash
   (d) Total financial resources 1

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

10. How material price variance is calculated :
    (a) The difference between standard price and actual price multiplied by actual quantity
    (b) The difference between standard quantity and actual quantity multiplied by standard price
    (c) Actual quantity multiplied by standard price
    (d) The difference between actual price multiplied by actual quantity and standard price multiplied by standard quantity 1

11. Which formula represents the calculation of labour-efficiency variance :
    (a) SR (AH – SHA)
    (b) AR (AH – SHA)
    (c) AH (AR – SR)
    (d) SHA (AR – SR)

    Here, SR = Standard Rate, AH = Actual Hour, SHA = Standard hours allowed for actual production, AR = Actual Rate 1

12. If actual price paid exceeds the predetermined standard price for material purchased. Which type of variance will occur ?
    (a) Favourable material usage variance
    (b) Favourable material price variance
    (c) Unfavourable material usage variance
    (d) Unfavourable material price variance 1

13. When sales are Rs. 2 lakhs, fixed costs Rs. 30,000, Profit Volume Ratio is 40%, the profit will be :
    (a) Rs. 50,000
    (b) Rs. 80,000
    (c) Rs. 12,000
    (d) Rs. 60,000 1

14. When margin of safety is 20% and profit volume ratio is 60%, the profit percentage will be :
    (a) 30%
    (b) $33\frac{1}{3}\%$
    (c) 12%
    (d) None of these 1

15. At the breakeven point the contribution will be equal to :
    (a) Fixed cost
    (b) Variable cost
    (c) Semi-variable cost
    (d) Total cost 1

16. Marginal cost is equal to :

(a) Total costs-fixed costs
(b) Total variable costs
(c) Both of these
(d) None of these 1

17. _______ is the budget which is designed to remain unchanged irrespective of the level of activity actually attained.

(a) Fixed budget
(b) Flexible budget
(c) Master budget
(d) Production budget 1

18. _______ is merely a part of Budgetary control.

(a) Planning
(b) Control process
(c) Budgeting
(d) Co-ordination 1

19. A set of alternative budget to different expected levels of activity called :

(a) Fixed budget
(b) Flexible budget
(c) Master budget
(d) Production budget 1

20. The process of using, feedback on actual performance and results, comparing the actual results with the plan is :

(a) Planning
(b) Control
(c) Budget
(d) Forecasting 1

SECTION—B

1. Explain, how Management Accounting is useful device in achieving business goals in modern business. 12

OR

With the following ratios and further information, prepare a Trading A/c, Profit and Loss A/c and a Balance Sheet of Shri Narain :

(i)	Gross Profit Ratio	25 percent
(ii)	Net Profit/Sales	20 percent
(iii)	Stock-Turnover Ratio	10
(iv)	Net Profit/Capital	1/5
(v)	Capital to Total Liabilities	1/2
(vi)	Fixed Assets/Capital	5/4
(vii)	Fixed Assets/Total Current Assets	5/7
(viii)	Fixed Assets	Rs. 1,00,00,000
(ix)	Closing Stock	Rs. 10,00,000

12

2. From the following financial statements of Workwell Ltd., you are required to prepare :

(i) A schedule of changes in Working Capital, and

(ii) A Fund Flow Statement.

Particulars	**2016-2017 Rs.**	**2017-2018 Rs.**
Trading Profit (after providing for depreciation and current taxation)	4,50,000	7,00,000
Profit on sale of investments	–	20,000
	4,50,000	**7,20,000**
Less : Provision for taxation	2,77,000	4,50,000
	1,73,000	**2,70,000**
Balance of profit brought forward from previous year	1,50.000	1,73,000
Income tax refund	–	40,000
	3,23,000	**4,83,000**
Proposed dividend	1,50,000	1,50,000
	1,73,000	**3,33,000**
Transfer to General Reserve	–	1,00,000
Balance of retain earning	**1,73,000**	**2,33,000**

Balance Sheet

Liabilities	**2016-17 Rs.**	**2017-18 Rs.**
Equity Share Capital	7,00,000	8,00,000
General Reserve	2,50,000	3,50,000
Profit and Loss A/c	1,73,000	2,33.000
Future Taxation	2,00,000	3,20,000
	13,23,000	**17,03,000**
Current Liabilities :		
Accounts payable	19,30,000	23,92,000
Current Taxation	1,97,000	3,00,000
Proposed Dividend	1,50,000	1,50,000
	36,00,000	**45,45,000**

Assets	**2016-17 Rs.**	**2017-18 Rs.**
Fixed Assets at cost	6,00,000	6,80,000
Less : Accumulated depreciation	2,00,000	3,20,000
	4,00,000	**3,60,000**
Current Assets	32,00,000	41,85,000
	36,00,000	**45,45,000**

12

OR

The Balance Sheets of XYZ Ltd. are as follows :

Balance Sheet

Liabilities	**2016-17 Rs. (in lakh)**	**2017-18 Rs. (in lakh)**	**Assets**	**2016-17 Rs. (in lakh)**	**2017-18 Rs. (in lakh)**
Equity	800	900	Fixed Assets	600	800
General Reserve	300	400	Additions	200	100
P & L A/c	200	300		**800**	**900**
Provision for Taxation	300	400	Less : Depreciation	300	350
Overdraft	300	464		**500**	**550**
Sundry Creditors	1,200	1,000	Investments	200	–
Proposed Dividend	80	90	Stock	1,400	1,230
			Debtors	1,080	1,774
	3,180	**3,554**		**3,180**	**3,554**

Profit and Loss Account

for the year ending ......

Particulars	**2016-17 Rs. (in lakh)**	**2017-18 Rs. (in lakh)**	**Particulars**	**2016-17 Rs. (in lakh)**	**2017-18 Rs. (in lakh)**
To Taxation	250	450	By Trading Profit	430	660
To proposed dividend	80	90	By Profit on sale of investments	–	30
To transfer to General Reserve	100	100	By Income Tax excess provided in the previous year	–	50
To Balance c/f	200	300	By Balance from last year	200	200
	630	**940**		**630**	**940**

Additional information :

(i) For the year ending 31st March, 2018, purchases were Rs. 6,000 lakhs and sales were Rs. 7,000 lakhs.

(ii) Trading profit for the year ended 31st March, 2018 was arrived at after charging depreciation Rs. 50,00,000 and Directors remuneration Rs. 1,20,00,000.

Prepare the Cash Flow Statement. 12

3. Define standard costing, explain its advantages and limitations. 12

OR

Standard labour hours and rate for production of Article A is given below :

	Hrs.	Rate (Rs.)	Total (Rs.)
Skilled Worker	5	15.00 per hour	75.00
Unskilled Worker	8	5.00 per hour	40.00
Semi-skilled Worker	4	7.50 per hour	30.00
			145.00

Actual data		**Rate per hour (Rs.)**	**Total (Rs.)**
Articles produced 1,000 units			
Skilled Worker	4,500 hrs	20.00	90,000
Unskilled Worker	10,000 hrs	4.50	45,000
Semi-skilled worker	4,200 hrs	7.50	31,500
			1,66,500

Calculate :

(a) Labour cost variance.

(b) Labour rate variance.

(c) Labour efficiency variance.

(d) Labour mix variance. 12

4. The operating results of a company for the last two years are as follows :

	Sales (Rs.)	**Profit (Rs.)**
2016-2017	27,00,000	60,000
2017-2018	30,00,000	1,50,000

You are required to calculate :

(i) P/V ratio

(ii) Fixed costs

(iii) Break-even point

(iv) Variable costs during the two periods. 12

OR

A company has a capacity of producing 1,00,000 units of a certain product in a month. The sales department reports that the following schedule of sales price is possible :

Volume of Production	**Selling price per unit**
%	**(Rs.)**
60	90
70	80
80	75
90	67
100	61

The variable cost of manufacture between these levels is Rs. 15 per unit and fixed cost Rs. 40,00,000.

(a) Prepare a statement showing incremental revenue and differential cost at each stage. At which volume of production will the profit be maximum ?

(b) If there is a bulk offer at Rs. 50 per unit for the balance capacity over the maximum profit volume for export and price quoted will not affect the internal sale, will you advise accepting this bid and why ? 12

5. ABC Co. wishes to arrange the overdraft facility with its Bankers during the period April to June, 2017 when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data, indicating the extent of the bank facilities the company will require at the end of the each month.

(a)

Month	**Sales**	**Purchases**	**Wages**
	(Rs.)	**(Rs.)**	**(Rs.)**
February, 2017	1,80,000	1,24,800	12,000
March, 2017	1,92,000	1,44,000	14,000
April, 2017	1,08,000	2,43,000	11,000
May, 2017	1,74,000	2,46,000	10,000
June, 2017	1,26,000	2,68,000	15,000

(b) 50% of credit sales are realised in the month following the sales and the remaining 50% in the second month following. Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1-4-2017 (estimated) Rs. 25,000. 12

OR

Explain modes of reporting. Write essential principles of good report. 12