MCOM 2001

M.Com. DEGREE EXAMINATION, DECEMBER 2021.

First Year/Non-Semester

Commerce

MANAGERIAL DECISIONS ACCOUNTING

Time : Three hours Maximum : 100 marks

PART A — (5 × 8 = 40 marks)

Answer any FIVE questions.

1. State the limitations of financial accounting and point out how management accounting helps in overcoming them.

2. What is Transfer Pricing? Discuss the importance of Transfer Pricing.

3. From the following particulars, prepare production cost budget for June, 2018

Particulars	Opening Stock (1.6.2018)	Closing Stock (30.6.2018)
Finished goods	1200 units	1600 units
Raw material "A"	5,000 kgs.	4,800 kgs.
Raw material "B"	2,000 kgs.	3,100 kgs.
Raw material required (per unit)	4 kgs. @ Rs. 8 per kg.	2 kgs. @ Rs. 25 per kg.

Budgeted sales for the month – 7,000 units.

4. Following is the data of a manufacturing concern. Calculate :

   Material Cost Variance, Material Price Variance and Material usage variance. The standard quantity of materials required for producing one ton of output is 40 units. The standard price per unit of materials is Rs. 3. During a particular period 90 tons of output was undertaken. The materials required for actual production were 4,000 units. An amount of Rs. 14,000 units. An amount of Rs.14,000 was spent on purchasing the materials.

5. Calculate labour variances from the following data:

	Standard	Actual
Out put in units	2,000	2,500
Number of workers employed	50	60
Number of working days in a month	20	22
Average wage per man per month (Rs.)	280	330

6. Explain the limitations of marginal costing.

7. From the following information, calculate the amount of contribution and profit.

	Rs.
Sales	10,00,000
Variable cost	6,00,000
Fixed cost	1,50,000

8. Give the formula for activity ratio.

PART B — (5 × 12 = 60 marks)

Answer any FIVE questions.

9. Parker Ltd. manufactures two brands of pen Hero and Zero. The sales department of the company has three departments in different areas of the country.

   The sales budget for the year ending 31st December 2017 were :

   Hero – Department I 3,00,000; Department II 5,62,500; Department III 1,80,000 and Zero – Department I 4,00,000; Department II 6,00,000; Department III 20,000. Sales prices are Rs. 3 and Rs.1.20 in all departments. It is estimated that by forced sales promotion the sale of Zero in department I will increase by 1,75,000. It is also expected that by increasing production and arranging extensive advertisement, Department III will be enabled to increase the sale of Zero by 50,000. It is recognized that the estimated sales by department II represent an unsatisfactory target. It is agreed to increase both estimates by 20%. Prepare a Sales Budget for the year 2018.

10. Bajaj Co. wishes to arrange overdraft facilities with its bankers during the period from April to June 2019 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 band overdraft facilities the company will require at the end of each month.

(a)

Month	Sales Rs.	Purchases Rs.	Wages Rs.
February	90,000	62,400	6,000
March	96,000	72,000	7,000
April	54,000	1,21,000	5,500
May	87,000	1,23,000	5,000
June	63,000	1,34,000	7,500

(b) 50% of Credit sales are realized in the month following the sales and the remaining 50% in the second month following.

(c) Creditors are paid in the month following the month of purchase.

(d) Lag in payment of wages – one month.

(e) Cash at bank on 1st April, 2018 estimated at Rs. 12,500.

11. The Expenses for the production of 5,000 units in a factory are given as follows :

Particulars	Per unit (Rs.)
Materials	50
Labour	20
Variable Overheads	15
Fixed Overheads (Rs. 50,000)	10

Administrative Overheads (5% variable)	10
Selling expenses (20% fixed)	6
Distribution expenses (10% fixed)	5
Total cost of sales per unit	Rs. 110

You are required to prepare a budget for the production of 7,000 units.

12. In a manufacturing concern, the standard time fixed for a month is 8,000 hours. A standard wage rate of Rs. 2.25 P. per hour has been fixed. During one month, 50 workers were employed and average working days in a month are 25. A worker works for 7 hours in a day. Total wage bill of the factory for the month amounts to Rs. 21,875. There was a stoppage of work due to power failure (idle time) for 100 hours. Calculate various labour variances.

13. Distinguish between absorption cost and marginal cost.

14. From the following data calculate :

    (a) P/V Ratio

    (b) Variable Cost and

    (c) Profit

	Rs.
Sales	80,000
Fixed expenses	15,000
Break even point	50,000

15. The P/V Ratio of a firm dealing in precision instruments is 50% and margin of safety is 40%. You are required to work-out break even point and the net profit if the sales volume is Rs.5000000. If 25% of variable cost is labour cost, what will be the effect on BEP and profit when labour efficiency decreases by 5%?

16. Explain the limitations of cash flow statement.

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