|  |  |  |  |  |  |  |  |  |  |  |  |
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| Reg.No : |  |  |  |  |  |  |  |  |  |  |  |

**D. K. M. COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1**

**SEMESTER EXAMINATIONS**

**NOVEMBER – 2017 15CPCO1B**

**ACCOUNTING FOR MANAGERIAL DECISIONS**

**Time : 3 Hours Max. Marks : 75**

**Section – A (5 x 6 = 30)**

**Answer ALL the questions.**

1. (a) What is decision making accounting? List out the various tools and techniques used in decision

making accounting.

(Or)

(b) How does management accounting differ from financial accounting?

2. (a) Prepare a common - size statement from the following balance sheet:

**Balance Sheet (Rs.in’000)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **2007** | **2008** | **Assets** | **2007** | **2008** |
| Share Capital  Reserves  Debentures  Creditors  Bills Payable | 200  80  100  70  50 | 250  100  80  95  75 | Fixed Assets  Investment  Stock  Debtors  Bills Receivable  Cash at Bank | 100  50  65  80  95  110 | 120  60  75  90  105  150 |
|  | 500 | 600 |  | 500 | 600 |

(Or)

(b) From the following, Calculate Funds From Operations

**Profit and Loss Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| To Operating Expenses  To Depreciation  To Loss on sale of Building  To Advertisement Suspense A/c  To Discount Allowed  To Preliminary Expenses Written off  To Net Profit | 1,00,000  40,000  10,000  5,000  500  12,000  52,500 | By Gross Profit  By Gain on sale of Plant | 2,00,000  20,000 |
|  | 2,20,000 |  | 2,20,000 |

3. (a) From the following data prepare a production budget for the ABC Co. Ltd.,

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Product | Stock on  1st January  (in Units) | Stock on  31st December  ( in Units) | Sales  ( in Units) | Normal Loss in Production |
| A | 8,000 | 10,000 | 60,000 | 4% |
| B | 9,000 | 8,000 | 50,000 | 2% |
| C | 12,000 | 14,000 | 80,000 | 6% |

(Or)

(b) The expenses budgeted for production of 5,000 units in a factory are furnished below:

|  |  |
| --- | --- |
| **Particulars** | **Cost Per Unit (Rs.)** |
| Materials  Labour  Direct Expenses  Factory Expenses (30% Fixed)  Selling and Distribution Expenses (15% Fixed)  Administrative Expense (100% Fixed) | 40  30  20  30  20  5 |

Prepare a flexible budget for production of (i) 4,000 units and (ii) 7000 Units.

4. (a) One of the two machines A and B is to be purchased. From the following information, find out which

of the two will be more profitable .The average rate of tax may be taken at 50%. Use Pay Back

Period Method.

|  |  |  |
| --- | --- | --- |
| **Details** | **Machine A** | **Machine B** |
| Cost of each Machine  Working Life  Earnings before Tax:  Year 1  2  3  4  5  6 | Rs.50,000  4 Years  **Rs.**  10,000  15,000  20,000  15,000  --  -- | Rs.80,000  6 Years  **Rs.**  8,000  14,000  25,000  30,000  18,000  13,000 |

(Or)

(b) Define Capital Budgeting. Bring out its need.

5. (a) What is marginal cost? What are the assumptions of marginal costing?

(Or)

(b) From the following particulars, find out:

1. Break Even Point; and
2. The selling price per unit if BEP is to be brought down to 4000 units:

|  |  |
| --- | --- |
| **Details** | **Rs.** |
| Variable cost per unit  Fixed Expenses  Selling Price per Unit | 60  2,00,000  100 |

**Section – B ( 3 x 15 = 45 )**

**Answer any THREE of the following questions.**

6. Explain the scope and importance of decision making accounting.

7. From the following balance sheets of Mr. Arun, Prepare a cash flow statement as per AS - 3.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **2007**  **Rs.** | **2008**  **Rs.** | **Assets** | **2007**  **Rs.** | **2008**  **Rs.** |
| Capital  Sundry Creditors  Mrs. Arun’s Loan  Loan from Bank | 5,00,000  1,60,000  1,00,000  1,60,000 | 6,12,000  1,76,000  -------  2,00,000 | Land and Building  Plant and Machinery  Stock  Sundry Debtors  Cash | 3,00,000  3,20,000  1,40,000  1,20,000  40,000 | 4,40,000  2,20,000  1,00,000  2,00,000  28,000 |
|  | 9,20,000 | 9,88,000 |  | 9,20,000 | 9,88,000 |

**Additional Information:**

A machine costing Rs.40,000 (accumulated depreciation Rs.12,000) was sold for

Rs.20,000. The provision for depreciation on 31-12-2007 was Rs.1,00,000 and on 31-12-2008

Rs.1,60,000. The net profit for the year 2008 was Rs.1,80,000.

8. The Bombay Textiles has estimated sales of particular variety of cloth for the first six months of the

coming year 2018:

|  |  |
| --- | --- |
| **Month** | **Sales (in Metres)** |
| January  February  March  April  May  June  July | 48,000  50,400  54,000  55,200  57,000  62,100  66,000 |

At the beginning of the year, there were 8,000 metres of cloth expected in inventory. At the end

of each month, the firm plans to have an inventory equal to one - sixth of the sales of the next month.

Prepare the purchase budget.

9. The sales turnover, Total Cost and Profit of the two years were as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **Sales (in Rupees)** | **Total Cost (in Rupees)** | **Profit (in Rupees)** |
| 2016  2017 | 1,50,000  1,70,000 | 1,30,000  1,45,000 | 20,000  25,000 |

You are required to calculate:

1. The P/V Ratio
2. The Break Even point
3. The Sales required to earn a profit of Rs.40,000
4. The Profit made when sales are Rs.2,50,000 ; and
5. The margin of Safety at profit of Rs.50,000.

10. A company is contemplating to purchase a machine. Two machines A and B are available, each costing Rs. 5,00,000. In computing the profitability of the machine a discounted rate of 10% is to be used. Earnings after taxation are expected to be as under:

|  |  |  |
| --- | --- | --- |
| YEAR | Machine A  Cash inflows  Rs. | Machine B  Cash inflows  Rs. |
| I  II  III  IV  V | 1,50,000  2,00,000  2,50,000  1,50,000  1,00,000 | 50,000  1,50,000  2,00,000  3,00,000  2,00,000 |

Indicate which of the machine would be more profitable, using the following methods of ranking investment proposals:

1. Pay Back Period Method ii) Net Present Value Method.

The discount factors at 10% are given below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | I | II | III | IV | V |
| **Present Value (Re.)** | 0.9091 | 0.8264 | 0.7513 | 0.6830 | 0.6209 |

**\*\*\*\*\*\***