|  |  |  |  |  |  |  |  |  |  |  |  |
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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 CapitalReservesDebenturesCreditorsBills Payable | 200801007050 | 250100809575 | Fixed AssetsInvestmentStockDebtorsBills ReceivableCash at Bank | 10050658095110 | 120607590105150 |
|  | 500 | 600 |  | 500 | 600 |

(Or)

 (b) From the following, Calculate Funds From Operations

 **Profit and Loss Account**

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Rs.** | **Particulars** | **Rs.** |
| To Operating ExpensesTo DepreciationTo Loss on sale of BuildingTo Advertisement Suspense A/cTo Discount AllowedTo Preliminary Expenses Written offTo Net Profit | 1,00,00040,00010,0005,000500 12,00052,500 | By Gross ProfitBy Gain on sale of Plant | 2,00,00020,000 |
|  | 2,20,000 |  | 2,20,000 |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Product | Stock on1st January(in Units) | Stock on31st 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.)** |
| MaterialsLabourDirect ExpensesFactory Expenses (30% Fixed)Selling and Distribution Expenses (15% Fixed)Administrative Expense (100% Fixed) | 4030203020 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 MachineWorking LifeEarnings before Tax:Year 1 2 3 4 5 6 | Rs.50,0004 Years**Rs.**10,00015,00020,00015,000---- | Rs.80,0006 Years**Rs.**8,00014,00025,00030,00018,00013,000 |

(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 unitFixed ExpensesSelling Price per Unit | 602,00,000100 |

**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.** |
| CapitalSundry CreditorsMrs. Arun’s LoanLoan from Bank | 5,00,0001,60,0001,00,0001,60,000 | 6,12,0001,76,000-------2,00,000 | Land and BuildingPlant and MachineryStockSundry DebtorsCash  | 3,00,0003,20,0001,40,0001,20,00040,000 | 4,40,0002,20,0001,00,0002,00,00028,000 |
|  | 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)** |
| JanuaryFebruaryMarchAprilMayJuneJuly | 48,00050,40054,00055,20057,00062,10066,000 |

 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)** |
| 20162017 | 1,50,0001,70,000 | 1,30,0001,45,000 | 20,00025,000 |

 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 ACash inflowsRs. | Machine BCash inflowsRs. |
| IIIIIIIVV | 1,50,0002,00,0002,50,0001,50,0001,00,000 |  50,0001,50,0002,00,0003,00,0002,00,000 |

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 |

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