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	200	250	Fixed Assets	100	120
Reserves	80	100	Investment	50	60
Debentures	100	80	Stock	65	75
Creditors	70	95	Debtors	80	90
Bills Payable	50	75	Bills Receivable	95	105
			Cash at Bank	110	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	1,00,000	By Gross Profit	2,00,000
To Depreciation	40,000	By Gain on sale of Plant	20,000
To Loss on sale of Building	10,000		
To Advertisement Suspense A/c	5,000		
To Discount Allowed	500		
To Preliminary Expenses Written off	12,000		
	52,500		

To Net Profit			
	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	40 30

Direct Expenses	20
Factory Expenses (30% Fixed)	30
Selling and Distribution Expenses (15% Fixed)	20
Administrative Expense (100% Fixed)	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	Rs.50,000	Rs.80,000
Working Life	4 Years	6 Years
Earnings before Tax:	**Rs.**	**Rs.**
Year 1	10,000	8,000
2	15,000	14,000
3	20,000	25,000
4	15,000	30,000
5	--	18,000
6	--	13,000

6		

(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:

i. Break Even Point; and

ii. The selling price per unit if BEP is to be brought down to 4000 units:

Details	**Rs.**
Variable cost per unit	60
Fixed Expenses	2,00,000
Selling Price per Unit	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	5,00,000	6,12,000	Land and Building	3,00,000	4,40,000
Sundry Creditors	1,60,000	1,76,000	Plant and Machinery	3,20,000	2,20,000
Mrs. Arun's Loan	1,00,000	-------	Stock	1,40,000	1,00,000
Loan from Bank	1,60,000	2,00,000	Sundry Debtors	1,20,000	2,00,000
			Cash	40,000	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	48,000
February	50,400
March	54,000
April	55,200
May	57,000

June	62,100
July	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	1,50,000	1,30,000	20,000
2017	1,70,000	1,45,000	25,000

You are required to calculate:

i) The P/V Ratio

ii) The Break Even point

iii) The Sales required to earn a profit of Rs.40,000

iv) The Profit made when sales are Rs.2,50,000 ; and

v) 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	1,50,000	50,000
II	2,00,000	1,50,000
III	2,50,000	2,00,000
IV	1,50,000	3,00,000
V	1,00,000	2,00,000

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

i) 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

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