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

**SEMESTER EXAMINATIONS**

**NOVEMBER - 2016 15CPCO1B**

**ACCOUNTING FOR MANAGERIAL DECISIONS**

Time : 3 Hrs Max.Marks : 75

SECTION-A (5x 6 =30)

**Answer ALL the questions.**

1. (a) What is management accounting? How does it help management?

(Or)

(b) In what respect does management accounting differ from cost accounting? Explain.

1. (a) Calculate the trend percentage from the following figures of Arun Ltd. taking 2011 as the base.

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Sales  (Rs.) | Stock  (Rs.) | Profit Before Tax  (Rs.) |
| 2011 | 1,80,000 | 70,000 | 32,000 |
| 2012 | 2,30,000 | 78,100 | 43,500 |
| 2013 | 2,65,000 | 81,500 | 45,700 |
| 2014 | 3,02,000 | 94,400 | 52,700 |
| 2015 | 3,76,000 | 1,15,000 | 67,300 |

(Or)

(b) From the following, Compute Funds from operation.

|  |  |  |
| --- | --- | --- |
| Particulars | As on 31.03.2015  (Rs.) | As on 31.03.2016  (Rs.) |
| Profit and Loss Appropriation Account | 90,000 | 2,20,000 |
| General Reserve | 60,000 | 75,000 |
| Goodwill | 30,000 | 15,000 |
| Preliminary Expenses | 18,000 | 12,000 |
| Provision for depreciation on machinery | 30,000 | 36,000 |

1. (a) From the following particulars, prepare a production budget of SCK Ltd., for the year ended 31st

March, 2016.

|  |  |  |  |
| --- | --- | --- | --- |
| Product | Sales (in units)  As per sales Budget | Estimated Stock (in units) | |
| 31.03.2015 | 31.03.2016 |
| A | 1,50,000 | 14,000 | 15,000 |
| B | 1,00,000 | 5,000 | 4,500 |
| C | 70,000 | 8,000 | 8,000 |

(Or)

(b) From the following particulars, prepare the purchase budget.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Details of materials for the Budget period 2015 – 2016 | | | | | | |
| Particulars | A | B | C | D | E | F |
| Estimated stock on 1.4.2015 | 16,000 | 6,000 | 24,000 | 2,000 | 14,000 | 28,000 |
| Estimated stock on 31.03.2016 | 20,000 | 8,000 | 28,000 | 4,000 | 16,000 | 32,000 |
| Estimated consumption during 2015-2016 | 1,20,000 | 44,000 | 1,32,000 | 36,000 | 88,000 | 1,72,000 |
| Standard Price per unit | Rs.25 | Rs.5 | Rs.15 | Rs.10 | Rs.20 | Rs.30 |

1. (a) From the following calculate:
   * 1. P/v Ratio and
     2. BEP in Rupees.

|  |  |
| --- | --- |
|  | Rs. |
| Fixed overhead | 1,20,000 |
| Variable overhead | 2,00,000 |
| Direct wages | 1,50,000 |
| Direct Material | 4,10,000 |
| Sales | 10,00,000 |

(Or)

(b) MM Trading House places before you the following trading results:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Units | Total Cost (Rs.) | Sales (Rs.) |
| 2014 | 10,000 | 80,000 | 1,00,000 |
| 2015 | 12,000 | 90,000 | 1,20,000 |

Find out the following:

1. P/v Ratio.

(ii) BEP in Units.

1. (a) A company has to make a choice between three possible investments projects A, B and C. The

immediate capital outlays on each being Rs.11,000. Each will continue for 5 years and its has

been decided that a discount rate of 10% is acceptable for all three. The cash follows for these

projects are: Cash inflows

|  |  |  |  |
| --- | --- | --- | --- |
| Year | A (Rs.) | B (Rs.) | C (Rs.) |
| 1…….. | 1,000 | 2,000 | 3,000 |
| 2…….. | 2,000 | 3,000 | 4,000 |
| 3…….. | 3,000 | 5,000 | 3,500 |
| 4…….. | 4,000 | 3,000 | 2,500 |
| 5 | 5,000 | 2,000 | 2,000 |

Which project would you recommend? Use net present value method.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 1 | 2 | 3 | 4 | 5 |
| Present value for Re.1 @ 10% Discount | 0.909 | 0.826 | 0.751 | 0.683 | 0.621 |

(Or)

(b) (i) Calculate Internal Rate of Return from the following:

|  |  |
| --- | --- |
| Initial outlay | Rs. 50,000 |
| Life of the Asset | 5 years |
| Estimated Cash Flow | Rs.37,500 |

(ii) Write a note on Profitability Index.

SECTION-B (3x15 =45)

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

1. Explain the various functions to be performed by a decision making accountant of a firm.
2. From the following information, prepare a cash flow statement (As per As - 3) for the year ended on 31st March, 2016.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Balance Sheet as on 31st March | | | | | |
| Liabilities | 2015 | 2016 | Assets | 2015 | 2016 |
| Equity share capital | 1,40,000 | 1,40,000 | Fixed Assets (net) | 90,000 | 87,000 |
| Reserves | 74,000 | 1,05,000 | Cash | 75,000 | 97,000 |
| Sundry Creditors | 32,000 | 35,000 | Sundry Debtors | 43,000 | 40,000 |
| Wages outstanding | 3,000 | 4,000 | Inventory | 49,000 | 58,000 |
| Miscellaneous Expenses  outstanding | 11,000 | 3,000 | Prepaid Rent | 3,000 | 5,000 |
|  | 2,60,000 | 2,87,000 |  | 2,60,000 | 2,87,000 |

Accumulated depreciation was Rs. 16,000 at the end of 2015 and Rs. 19,000 at the end of 2016. Other information are as follows:

|  |  |
| --- | --- |
|  | Rs. |
| Sales | 3,00,000 |
| Cost of goods sold | 1,90,000 |
| Wages | 23,000 |
| Rent | 6,000 |
| Miscellaneous operating Expenses | 47,000 |
| Depreciation | 3,000 |

Assume that any increase in profit as net profit before taxation.

1. A factory is currently working at 50% capacity and produces 10,000 units at a cost of Rs. 180 per unit as per details below:

|  |  |
| --- | --- |
|  | Rs. |
| Materials | 100 |
| Labour | 30 |
| Factory overheads | 30 (Rs. 12 fixed) |
| Administrative overheads | 20 (Rs. 10 fixed) |
| Total | 180 |

The current selling price is Rs. 200 per units. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%

Estimate

1. Total cost
2. Profit and
3. Sales value.

At 60% and 80% capacity.

1. A factory produces 24,000 units. The cost sheet gives the following information:

|  |  |
| --- | --- |
| Cost Details | Rs. |
| Direct Materials | 2,40,000 |
| Direct Wages | 1,68,000 |
| Variable overheads | 96,000 |
| Semivariable overheads | 56,000 |
| Fixed overhead | 1,60,000 |
| Total Cost | 7,20,000 |

The product is sold at Rs. 40 per unit. The management proposes to increase the production by 3000 units for sale in the foreign market. It is estimated that the semivariable overheads will increase by Rs. 2000. But the product will be sold at RS. 28 per unit in the foreign market. However, no capital expenditure will be incurred. The management seeks your advice as a cost accountant.

1. 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%.

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

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