

**C. ABDUL HAKEEM COLLEGE (AUTONOMOUS),
MELVISHARAM - 632 509.
SEMESTER EXAMINATIONS, NOVEMBER - 2018**

**M.COM., COMMERCE
SEMESTER I
P18MCM102 / P15MCM102 – ACCOUNTING FOR MANAGERIAL
DECISIONS**

Time: Three Hours

Maximum: 75 Marks

SECTION - A (5 X 6 = 30 Marks)

Answer ALL Questions.

1. a) State the advantages of Managerial Accounting.

(Or)

b) Distinguish between financial accounting and cost accounting.

2. a) From the following details calculate operating ratio and operating profit ratio.

| | Rs. |
|-------------------------|-----------|
| Sales | 10,00,000 |
| Gross profit | 3,00,000 |
| Administration expenses | 10,000 |
| Selling expenses | 20,000 |
| Loss on sale of plant | 2,000 |
| Dividend received | 4,000 |
| Depreciation | 6,000 |
| Net profit | 2,66,000 |

(Or)

b) Explain the significance of ZBB.

3. a) Calculate funds from operations from the following:

| Particulars | Rs | Particulars | Rs |
|-------------------------------|-----------------|-----------------|-----------------|
| To Rent | 10,000 | By Gross Profit | 9,86,000 |
| To Salary | 25,000 | | |
| To Depreciation on furniture | 3,000 | | |
| To Discount on issue of share | 10,000 | | |
| To Goodwill written off | 5,000 | | |
| To Preliminary expenses | 6,000 | | |
| To Net profit | <u>9,27,000</u> | | |
| | <u>9,86,000</u> | | <u>9,86,000</u> |

(Or)

b) From the following balances you are required to calculate cash from operations:

| | 31-12-89 Rs | 31-12-90 Rs |
|----------------------------|----------------|----------------|
| P & L A/C balance | 50,000 | 3,10,000 |
| Debtors | 90,000 | 84,000 |
| Creditors | 40,000 | 52,000 |
| Bills Receivable | 24,000 | 30,000 |
| Prepaid expenses | 3,200 | 2,800 |
| Bills payable | 30,000 | 32,000 |
| Outstanding expenses | 2,400 | 3,200 |
| Outstanding income | 1,600 | 1,800 |
| Income received in advance | 500 | 600 |

4. a) 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 |

(Or)

- b) The following particulars are obtained from the records of a company manufacturing two products P and R.

| | Per Unit | |
|------------------------------|------------------|------------------|
| | Product P Rs. | Product R Rs. |
| Selling Price | 200 | 400 |
| Material cost (Rs.20 per kg) | 40 | 100 |
| Direct wages (Rs.6 per hour) | 60 | 120 |
| Variable overhead | 20 | 40 |

Total fixed overhead is Rs.10,000.

Comment on profitability of each product when production capacity in hours is the limiting factor.

5. a) A project requires an investment of Rs.5,00,000 and has a scrap value of Rs.20,000 after 5 years. It is expected to yield profits after taxes and depreciation during the five years amounting to Rs.40,000, Rs.60,000, Rs.70,000, Rs.50,000 and Rs.20,000. Calculate the average rate of return on investment.

(Or)

- b) An investment of Rs.10,000 (having scrap value of Rs.500) yields the following returns:

| Year | 1 | 2 | 3 | 4 | 5 |
|------|-------|-------|-------|-------|-------|
| CFAT | 4,000 | 4,000 | 3,000 | 3,000 | 2,500 |

The cost of capital is 10%. Is the investment desirable? Discuss it according to NPV method assuming the P. V. factors for 1st, 2nd, 3rd, 4th and 5th year- 0.909, 0.826, 0.751, 0.683 and 0.620 respectively.

SECTION - B (3 X 15=45 Marks)

Answer **ANY THREE** Questions

6. Explain the functions of Managerial Accounting.
7. Prepare a cash budget for the month of May, June and July on the basis of the following information.

(i) Income and Expenditure forecasts

| Month | Sales | Purchases | Wages | Manufacturing Expenses | Office Expenses | Selling Expenses |
|--------|--------------|-----------|--------|------------------------|-----------------|------------------|
| | (all credit) | | | | | |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| March | 60,000 | 36,000 | 9,000 | 4,000 | 2,000 | 4,000 |
| April | 62,000 | 38,000 | 8,000 | 3,000 | 1,500 | 5,000 |
| May | 64,000 | 33,000 | 10,000 | 4,500 | 2,500 | 4,500 |
| June | 58,000 | 35,000 | 8,500 | 3,500 | 2,000 | 3,500 |
| July | 56,000 | 39,000 | 9,500 | 4,000 | 1,000 | 4,500 |
| August | 60,000 | 34,000 | 8,000 | 3,000 | 1,500 | 4,500 |

- ii. Cash balance on 1st May Rs.8,000
- iii. Plant costing Rs.16,000 is due for delivery in July payable 10% on delivery and the balance after three months.
- iv. Advance tax of Rs.8,000 is payable in March and June each
- v. Period of credit allowed (1) by suppliers 2 months and (2) to customers 1 month.
- vi. Lag in payment of manufacturing expenses ½ month
- vii. Lag in payment of all other expenses 1 month.

8. M.Raja , a sole trader, provides the following Balance Sheets and additional information to you with the request to prepare his Funds Flow Statement for the year ending 31-12-2007:

| Liabilities | 2006 Rs | 2007 Rs | Assets | 2006 Rs | 2007 Rs |
|---------------|-----------------|-----------------|-----------|-----------------|-----------------|
| Capital | 80,000 | 1,20,000 | Cash | 20,000 | 26,000 |
| Creditors | 30,000 | 40,000 | Cash at | | |
| Loan from | | | Bank | 30,000 | 44,000 |
| Mr. Raja | 60,000 | 68,000 | Stock | 40,000 | 30,000 |
| Loan from IOB | - | 50,000 | Debtors | 20,000 | 25,000 |
| | | | Furniture | 40,000 | 36,000 |
| | | | Machinery | 20,000 | 1,17,000 |
| | <u>1,70,000</u> | <u>2,78,000</u> | | <u>1,70,000</u> | <u>2,78,000</u> |

During 2007, Depreciation charged on Furniture and machinery was at 10% of the opening balance. M. Raja withdrew Rs.20,000 during the year for his personal expenses.

9. The sales turnover and profit during two years were as follows:

| Year | Sales Rs. | Profit Rs. |
|------|--------------|---------------|
| 2007 | 1,40,000 | 15,000 |
| 2008 | 1,60,000 | 20,000 |

Calculate:

- P/V Ratio
- Break- even point
- Sales required to earn a profit of Rs.40,000
- Fixed expenses and
- Profit when sales are Rs.1,20,000.

10. The cash flows from two mutually exclusive projects X and Y are as under:

| Year | Project X | Project Y |
|--------------|------------|------------|
| 0 | (-) 44,000 | (-) 54,000 |
| 1-7 (annual) | 12,000 | 14,500 |
| Project life | 7 years | 7 years |

Calculate profitability index at 15% discount rate and suggest which project is profitable.
