

Q.P. Code : 60573

Third Semester M.Com. Degree Examination,
January/February 2020

(CBCS Scheme)

Commerce

Paper 3.3 — AT : ACCOUNTING FOR MANAGERIAL DECISIONS

Time : 3 Hours]

[Max. Marks : 70

Instructions to Candidates : Answers **ALL** Sections.

SECTION - A

1. Answer any **SEVEN** of the following sub-questions. Each sub question carries **2** marks : **(7 × 2 = 14)**
- What are incremental costs?
 - Define EOQ.
 - What is meant by 'Key factor'?
 - Give the meaning of overhead variance.
 - List any two limitations of PV Ratio.
 - Give the meaning of Angle of Incidence.
 - What is 'Rolling Budget'?
 - Write any two differences between relevant costs and irrelevant costs.
 - What is Responsibility Reporting?
 - Give the meaning of ZBB.

SECTION - B

- Answer any **FOUR** questions. Each question carries **5** marks : **(4 × 5 = 20)**
- List out the steps involved in implementation of responsibility accounting.
 - Explain the practical difficulties in inter firm comparison.
 - State how PPBS is superior to conventional budgeting.
 - Explain the steps in the Decision Making Process.

Q.P. Code : 60573

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

Year	Sales	Profit
2015	140000	15000
2016	160000	20000

Calculate :

- P/V ratio
 - BEP
 - Profit when sales are Rs. 1,20,000
 - Sales required to earn a profit of Rs. 40,000.
7. The following data relates to a company which manufactures 3 products A, B and C.

Particulars	A	B	C
Production	2000	2400	3000
Cost per unit			
Material	5	8	12
Labour	2	4	3
Variable overheads	1	2	1
Fixed over heads	6	5	6
Total	14	19	22
Selling price	20	25	30
Profit	6	6	8

The production manager suggests that one production line should be discontinued if he undertakes to double the existing production in the remaining two production lines. If the suggestion is accepted, which production line should be discontinued?

SECTION - C

Answer any **THREE** questions. Each question carries **12** marks : (3 × 12 = 36)

- What is meant by the term 'Budgeting'? Mention the type of budgets normally prepared by a big industrial undertaking.
- "Uniform costing helps management for taking crucial decisions". Discuss the statement with reference to requisites, merits and limitations of uniform costing.
- The chief cost accountant of a company running an orchard with an adequate supply of labour, presents the following data and request you to advice about the area to be allotted for the cultivation of various types of fruits, which results in maximization of profits. The company contemplates growing apples lemons orange and peaches.

Q.P. Code : 60573

Particulars	Apple	Lemon	Orange	Peaches
Selling price per box (Rs.)	15	15	30	45
Seasons yield in boxes per acre cost in (Rs.)	500	150	100	100
Materials per acre	270	105	90	150
Labour growing per acre	300	225	150	195
Ticking and packing per box	1.50	1.50	3.00	4.50
Transport per box	3	3	1.50	1.50

The total fixed cost in each season would be of Rs. 2,10,000 the following limitations are also placed before.

- The area available is 450 acres, but out of these 300 acres are suitable for growing only orange and lemon. The Balance of 150 acres is suitable for growing any of the four fruits.
- As they produce may be hypothecated to banks, area allocated for any fruits should be demarcated in complete acres and not in limited acres.
- The marketing strategy of the company requires the compulsory production of all the four types of fruits in a season and the minimum quantity of any one type to be 18000 boxes. Calculate the total profit that accrues if your advice is followed.

11. Agrocaps Ltd., in manufacturing agricultural machinery, is preparing its annual budget for the coming year. The company has a metal pressing capacity of 20,000 hours, which will be insufficient for manufacture of all requirements of components A, B, C and D.

The company has the following choices :

- Buy the components entirely from outside suppliers.
- Buy from outside suppliers and/or use a partial second shift.

The data for the current year are given below :

Component	Standard production cost per unit			
	A (Rs.)	B (Rs.)	C (Rs.)	D (Rs.)
Variable cost :				
Direct materials	37	27	25	44
Direct wages	10	8	22	40
Direct expenses	10	20	10	60
Fixed overhead	5	4	11	20
Total production cost p.u.	62	59	68	164
Requirements in units	2,000	3,500	1,500	2,800

Direct expenses relate to the use of the metal presses which cost Rs. 10 per hour, to operate. Fixed overheads are absorbed as a percentage of direct wages.

Supply of all or any part of the total requirement can be obtained at following prices, each delivered to the factory :

Component	(Rs.)
A	60
B	59
C	52
D	168

Q.P. Code : 60573

Second shift operations would increase direct wages by 25 percent over the normal shift and fixed overhead by ₹ 500 for each 1,000 (or part thereof) second shift hours worked. You are required to present, with calculations :

- (a) Which component, and in how much quantities should it be manufactured in the 20,000 hours of press time available?
- (b) Whether it would be profitable to make any of the balance of components required on a second shift basis instead of buying them from outside suppliers.

12. A production department of a large manufacturing organization has furnished the following data for May 2014.

Particulars	(Rs.)	
	Budget	Actual
Direct materials	4,00,000	5,10,000
Direct wages	2,50,000	3,25,000
Repairs Maintenance (Rs. 100 lakhs fixed)	2,00,000	2,20,000
Supervision (Fixed)	1,00,000	1,10,000
Consumable Stores (Variable)	75,000	95,000
Factory Rent (Fixed)	50,000	50,000
Depreciation (Fixed)	1,00,000	1,00,000
Tools (Variable)	25,000	30,000
Power and Fuel (Variable)	1,50,000	1,80,000
Administration (Fixed)	2,50,000	2,65,000

The department has 50 identical machines. During May 2014, the budgeted and actual productions of the department are 10,000 and 12,500 units respectively. However, if the department was closed and the machine production services were hire from outside the cost of hiring the services of similar machines would be Rs. 150 per unit.

- (a) You are required to present reports showing the evaluation of the performance of the department based on the concept of (i) Cost Centre (ii) Profit Centre and (iii) Responsibility Centre.
- (b) It is felt that since the total budgeted cost of production per unit is greater than the cost of hired services, the possibility of closing down the department and use of hired services should be explored if the budgeted production cannot be increased in June 2014. Assuming that the budgeted expenses and level of output planned for May 2014 will hold good for June 2014 also, calculate the volume of output required to justify the continuance of the department.