PD – 119

II Year M.Com. (DCC) Examination, January 2018
(2007-08 Scheme)
COMMERCE
AT 2.6 : Accounting for Managerial Decisions

Time : 3 Hours Max. Marks : 100

Instruction : *Answer **all** Sections.*

SECTION – A

Answer **any eight** of the following. **Each** question carries **two** marks. **(8×2=16)**

1. a) Define Management Accounting.

 b) What are the objectives of Budgeting ?

 c) Explain the impact of taxes on costs and how that impact affects decision making ?

 d) Why are fixed costs not relevant for most short term decisions ?

 e) Explain the concept of target costing with examples.

 f) Differentiate cost unit and cost centers.

 g) Distinguish between Operational Budgets and Functional Budgets.

 h) What is meant by equivalent units of output ?

 i) Explain the concept of overhead variance.

 j) Write a note on events after reporting period as per Ind AS 10.

 k) Describe the managerial uses of variance analysis.

SECTION – B

Answer **any three** of the following. **Each** question carries **eight** marks. **(3×8=24)**

2. A factory expects to operate 7,000 hours i.e. at 70% level of activity, furnishes details of expenses as under :

Sl. No.	Contents	Amounts (Rs.)
1	Variable expenses	1,260
2	Semi-variable expenses	1,200
3	Fixed expenses	1,800

The semi-variable expenses will go up by 10% between 85% and 95% activity and by 20% above 95% activity. Construct a flexible budget for 80, 90 and 100 per cent activities.

3. Estimate break-even point in terms of volume and value for the following data :

Particulars	Per unit	Rs. for 10000 units
Sales	100	1000000
Less : variable cost	60	600000
Contribution	40	400000
Less : Fixed cost		300000
Net profit (EBIT)		100000

4. Spare Parts Ltd., has an annual production of 90000 units for a motor component whose cost structure is as under :

Particulars	Rs. per unit
Materials	270
Labour (25% fixed)	180
Variable expenses	90
Fixed expenses	135
Total	**675**

i) The purchase manager has an offer from a supplier who is willing to supply at Rs. 540. Should the component be purchased and production stopped ?

ii) Assume the resources now used for the manufacturing of this component are used to produce another new product for which selling price is Rs. 485.

5. Suppose that Alpha Company has four product lines, three of which are profitable and one is incurring loss. Give reasons why Alpha Company may choose not to drop the loser product line.

6. Explain the various new reporting practices adopted by Indian MNCs.

SECTION – C

Answer **any four** of the following. **Each** question carries **fifteen** marks. **(4×15=60)**

7. A company produces two articles A and B. Each unit takes 4 hours for A and 10 hours for Basproduction time respectively. The budgeted production for April, 2003 is 400 units of A and 800 units for B. The actual production at the end of the months was 320 units of A and 850 units of B. Actual hours spent on this production was 200. Find out the capacity, activity and efficiency ratios for April 2003. Also find out the calendar ratio if the actual working days during the month be 28 corresponding to 26 days in the budget.

8. The following particulars are obtained from the records of a company engaged on manufacturing two products A and B from a certain raw materials :

Particulars	**Product A Rs. Per unit**	**Product B Rs. Per unit**
Sales	100	200
Materials (Rs. 10 per kg.)	20	50
Wages (Rs. 6 per hour)	30	60
Variable overheads	10	20

The total fixed overheads Rs. 10,000

Comment on the profitability of each product when :

The total sales potential in units is limited

Total sales potential in value is limited

Raw material is in short supply

Production capacity is limiting factor

When the total availability of raw material is 4000 kgs. And maximum sales potential of each product is 1000 units, find the product mix to yield maximum profit.

9. There are number of contemporary cost techniques that have dominated the management accounting scenario, elaborate on the contemporary cost techniques with examples.

10. S. M. Ltd., has given the following budgeted and actual sales figures :

	Budgeted			Actual		
	Quantity	**Sale Price Rs.**	**Value Rs.**	**Quantity**	**Sale Price Rs.**	**Value Rs.**
Product A	500	60	30,000	600	65	39,000
Product B	700	40	28,000	650	38	24,700

The cost per unit of product A and B was Rs. 55 and Rs. 32 respectively. Compute variances to explain difference between budgeted and actual profit.

11. Explain the major issues and accounting standards addressed in Ind AS in the areas of property plant and equipment, consolidation of business segments and presentation of financial statements.

12. Discuss the various methods of valuation of Human Resource in an Organization.