11223

III Semester M.Com. Examination, May/June 2023
(CBCS Scheme)
COMMERCE
Accounting for Managerial Decisions

Time : 3 Hours Max. Marks : 70

SECTION – A

Answer **any seven** of the following sub-questions. **Each** sub-question carries **two** marks. **(7×2=14)**

1. a) State any four costs relevant for decision making.
   b) State any two advantages of data based decision making.
   c) What is meant by key factor ?
   d) What is the significance of PV Ratio ?
   e) Give the differences between profit centre and revenue centre.
   f) Define responsibility accounting.
   g) What is meant by zero based budgeting ?
   h) List out the criticism of traditional budgeting.
   i) What are the benefits of cost manuals ?
   j) State the advantages of inter-firm comparison.

SECTION – B

Answer **any four** questions. **Each** question carries **five** marks. **(4×5=20)**

2. Briefly explain the decision making process of a management accountant.

3. From the following data calculate : i) PV Ratio, ii) BEP, iii) Margin of Safety iv) If selling price is reduced to Rs. 80, by how much is the margin of safety reduced ?

   Total sales Rs. 3,60,000, selling price per unit Rs. 100, variable cost per unit Rs. 50, Fixed cost Rs. 1,00,000.

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4. Explain the process involved in implementing responsibility accounting.

5. What is meant by performance budgeting ? Explain the steps in implementing the performance budgeting.

6. Explain the advantages and disadvantages of uniform costing.

7. Two companies in the same industry show the following data as adopted from the annual financial statements : (Rs. in lakhs)

	A Rs.	B Rs.
Total sales income	24.00	25.92
Variable cost	15.60	17.80
Fixed cost	4.80	5.00
Capital employed	12.00	13.00

Calculate and comment on the following : i) Capital turnover ii) Profit before tax as % of sales value iii) Profit before tax as % on capital employed iv) Gross marginal income as % of sales v) Break even sales vi) Margin of safety as % on sales.

SECTION – C

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

8. The following particulars are extracted from the records of a company :

	Product X	**Product Y**
Sales	Rs. 100	Rs. 120
Consumption of materials	2 kgs.	3 kgs.
Material cost	Rs. 10	Rs. 15
Direct wages	Rs. 15	Rs. 10
Direct expenses	Rs. 5	Rs. 6
Machine hours used	3	2
Overhead expenses :		
Fixed	Rs. 5	Rs.10
Variable	Rs. 15	Rs. 20

Direct wages per hour are Rs. 5. Comment on the profitability of each product when :

i) Total sales potential in units is limited.

ii) Total sales potential in value is limited.

iii) Raw material is in short supply.

iv) Production capacity (in terms of machine hours) is the limiting factor.

Assuming raw material as the key factor, availability of which is 10,000 kgs and maximum sales potential of each product being 3,500 units, find the product mix which will yield the maximum profit.

9. Peter India Ltd. manufactures readymade garments by a simple process of cutting the clothes in various shapes and then sewing the corresponding pieces together to form the finished product. The Sewing department and the Cutting department reports to the Production Manager who along with Engineering Manager reports to the Director-Manufacturing. The Sales Manager, Publicity Manager and the Credit Manager report to the Director-Marketing who along with the Director-Manufacturing reports to the Managing Director of the company. The Accounts department reports the following for the last quarter of 2022.

Particulars	Budgeted (Rs.)	Actual (Rs.)
Bad debt losses	5,000	3,000
Cloth used	31,000	36,000
Advertising	4,000	4,000
Audit fees	7,500	7,500
Credit reports	1,200	1,050
Sales Representative :		
Travelling expenses	9,000	10,200
Sales commission	7,000	7,000
Cutting labour	6,000	6,600
Thread	500	450
Sewing labour	17,000	18,400
Credit department salaries	8,000	8,000

Cutting utilities	800	700
Sewing utilities	900	950
Director-Marketing salaries	20,000	21,400
Production engineering expenses	13,000	12,200
Sales management office expenses	16,000	15,700
Production manager's office expenses	18,000	17,000
Director-Manufacturing salaries	21,000	20,100

Using the above data, prepare responsibility accounting reports for the Director-Marketing, Director-Manufacturing and the Production Manager.

10. Discuss the various performance measures that are essential to measure the divisional performance.

11. 'Budgetary control means worrying before work rather than after. Its keynotes are planning, coordination and control'. Discuss.

12. 'A scheme of inter-firm comparison combines the advantages of a uniform costing system and the benefits arising out of the use of ratios'. Discuss.