

Date: 29-6-19

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| **ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27** |
| **B.COM - VI SEMESTER** |
| **Special Supplementary Examination, JUNE 2019** |
| **BC 6616 – Accounting for Business Decision and Reporting** |
|  | Supplementary candidates only. |
| **Time- 2 1/2 hrs** |  | **Max Marks-70** |  |
|  |  |  |  |  |  |  |
| **This paper contains \_\_\_printed pages and four parts** |
|  |  |  |  |  |  |  |

**SECTION - A**

**Answer any five out of the following questions 5\*2=10**

1. Why is Contribution important?
2. How will you improve Margin of safety?
3. What is meant by standard cost?
4. What is the significance of Variance analysis?
5. Mention two characteristics of Budgetary control.
6. What is Zero base budgeting?
7. What is relevant cost?

**SECTION – B**

**Answer any three from the following questions 3\*5=15**

1. Distinguish between Absorption costing and Marginal costing.
2. Etihad Company sold 10,000 units last year at a price of Rs. 400 each. The cost structure per unit is as follows:

|  |  |
| --- | --- |
| **Particulars** | **Rs** |
| Material | 100 |
| Labour |  50 |
| Variable overheads |  25 |
| Fixed overheads | 200 |
| **Total cost**  | **375** |

Due to competition, the price has to be reduced to Rs. 325 for the coming year. Assuming that there will be no change in costs, find out how many units shall be sold to ensure the same amount of total profit as last year.

1. Standard hours for manufacturing two products P and Q are 15 hours per unit and 20 hours per unit respectively. Both products require identical kind of labour and the standard wage rate per hour is Rs. 5. In a year 10,000 units of P and 15,000 units of Q were manufactured. The total labour hours actually worked were 4, 50,500 and the actual wage bill came to Rs. 23, 00,000. This included 12,000 hours paid for @ Rs. 7 per hour and 9,400 hours paid for @ Rs. 7.50 per hour, the balance having been paid @ Rs. 5 per hour.

Compute:

1. Labour cost variance
2. Labour efficiency variance
3. Labour rate variance
4. Briefly explain the objectives of budgetary control.
5. Briefly explain the limitations of financial statement analysis.

**SECTION – C**

**Answer any three from the following questions 3\*10=30**

1. A,B and C are three similar plants under same management who want them to be merged for better operation. The details are as under:

|  |  |  |  |
| --- | --- | --- | --- |
| **Plant** | **A** | **B** | **C** |
| Capacity operated | 100% | 80% | 60% |
|  | Rs in Lakhs | Rs in Lakhs | Rs in Lakhs |
| Turnover | 300 | 280 | 150 |
| Variable cost | 200 | 210 | 75 |
| Fixed cost | 70 | 50 | 62 |

Find out:

1. The capacity of the merged plant for break-even.
2. The profit or loss @ 50% capacity of the merged plant.
3. The turnover from the merged plant to give a profit of Rs. 15 lakhs.
4. The standard material input required for 1,000 kgs of a finished product are given below:

|  |  |  |
| --- | --- | --- |
| **Material** | **Quantity-Kg** | **Std rate per kg (Rs)** |
| P | 450 | 20 |
| Q | 400 | 40 |
| R | 250 | 60 |
| Total | 1,100 |  |
| Standard loss | 100 |  |
| Standard output | 1,000 |  |

Actual production in a period was 20,000 kg of finished product for which the actual quantities of material used and the prices paid thereof were as under:

|  |  |  |
| --- | --- | --- |
| **Material** | **Quantity-Kg** | **Purchase price per kg (Rs)** |
| P | 10,000 | 19 |
| Q | 8,500 | 42 |
| R | 4,500 | 65 |

Calculate

1. Material cost variance
2. Material Price variance
3. Material usage variance
4. Material mix variance
5. Material yield variance
6. Prepare a cash budget for the three months ending 30th June 2017, from the information given below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Month** | **Sales** | **Materials** | **Wages** | **overheads** |
| Feb | 14,000 | 9,600 | 3,000 | 1,700 |
| March | 15,000 | 9,000 | 3,000 | 1,900 |
| April | 16,000 | 9,200 | 3,200 | 2,000 |
| May | 17,000 | 10,000 | 3,600 | 2,200 |
| June | 18,000 | 10,400 | 4,000 | 2,300 |

1. Credit terms are:

Sales & Debtors – 10% of sales are on cash, 50% of the credit sales are collected next month and the balance in the following month:

Creditors – materials 2 months

 Wages ¼ month

 Overheads ½ month

1. Cash and bank balance on 1st April, 2017 is expected to be Rs. 6,000
2. Other relevant information:
3. P&M will be installed in Feb, 2017 at a cost of Rs. 96,000.The monthly instalment of Rs. 2,000 is payable from April onwards.
4. Dividend @ 5% on preference share capital of Rs. 2, 00,000 will be paid on 1st June.
5. Advance to be received for sale of vehicles Rs. 9,000 in June.
6. Dividends from investments amounting to Rs. 1,000 are expected to be received in June.
7. Income tax (advance) to be paid in June Rs. 2,000.
8. A company has annual fixed costs of Rs. 14, 00,000. In 2018 sales amounted to Rs. 80,00,000 as compared with Rs. 65,00,000 in 2017 and profit in 2018 was Rs. 4,20,000 higher than in 2017.
9. At what level of sales does the company break-even?
10. Determine profit or loss on a precast sales volume of Rs. 90,00,000.
11. If there is reduction in selling price (as per question b above) in 2019 by 7.5% and the company desires to earn the same profit as in 2018, what would be the required sales volume?
12. On what criteria do you analyse the financial statements of a company?

**SECTION – D**

**Answer the following question 1\*15=15**

1. A small firm has two production sections, namely, manufacturing and packaging. The total available daily production time in these sections are 430 minutes and 210 minutes respectively. A choice among three products P,Q and R in any possible combination is open for production planning. Raw materials, labour and other facilities required are available in sufficient quantities to meet any programme that can be formulated within the plant capacity. Product P needs 13 minutes of manufacturing time per unit of output and 3 minutes of packaging time, product Q needs 5 minutes of manufacturing time per unit of output and 3 minutes of packaging time and product R needs 9 minutes of manufacturing time per unit of output and 23 minutes of packaging time per unit. The contribution per unit of P, Q and R is Rs. 12, Rs. 8 and Rs. 24 respectively. The total fixed charges per day is Rs. 500. Advise the best possible production programme under the given circumstances.