



III Semester M.Com. Examination, March/April 2021
(CBCS Scheme)

COMMERCE

Paper – 3.3 AT : Accounting for Managerial Decision

Time : 3 Hours

Max. Marks : 70

SECTION – A

1. Answer **any seven** of the following sub-questions. **Each** sub-question carries 2 marks. (7×2=14)
- Give the meaning of 'Responsibility Accounting'.
 - What is 'Zero Based Budgeting' ?
 - What do you understand by 'Inter firm Comparison' ?
 - Differentiate between Marginal Costing and Absorption Costing.
 - What is PV ratio ?
 - Give the meaning of 'Cost based decision making'.
 - What is 'divisional performance reporting' ?
 - What do you understand by the concept of 'Key factor' in Marginal Costing ?
 - Define 'Residual Income'.
 - Expand PPBS and give its meaning.

SECTION – B

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

- Mention the merits and demerits in measuring 'Divisional Performance'.
- Discuss the procedure involved under inter-firm comparison.
- Elaborate about 'Decision making process'.
- ABC Ltd. has prepared the budget for the production of one lakh units of the only commodity manufactured by it for a costing period as follows :

	Rs. (Lakhs)
Raw material	2.52
Direct Labour	0.75
Direct expenses	0.10
Works overheads (40% fixed)	2.25
Administrative overheads (90% fixed)	0.40
Selling overheads (70% fixed)	0.20

The actual production during the period was only 75,000 units. Calculate the revised budget cost per unit.

P.T.O.



6. The following details are provided for Bhagwan Foods Pvt. Ltd. for the year ended 2020.

	Rs.
Sales Revenue	1,20,00,000
Costs :	
Materials	31,50,000
Labour	9,90,000
Production overheads	9,00,000
Apportioned group costs	9,60,000
Total	60,00,000
Other divisional information	
Fixed assets investment	Rs. 200 Lakhs
Working capital	Rs. 50 Lakhs
	Rs. 250 Lakhs

Cost of capital is 12% as weighted average rate on the total capital employed.
Comment on the management performance of the division using

- ROI method
- RI/EVA method.

7. Graphics Ltd. Manufactures a document reproducing machine which has a variable cost structure as follows :

	Rs.
Material	40
Labour	10
Overhead	4

The selling price is Rs. 90.

Sales during the current year is expected to be Rs. 13,50,000 and fixed cost Rs. 1,40,000. Under a wage agreement, an increase of 10% is payable to all direct workers from the beginning of the forthcoming year, whilst material costs are expected to increase by 7.5%, variable overheads by 5% and fixed overheads by 3%

You are required to calculate :

- The new selling price if the current Profit/Volume Ratio is to be maintained and
- The quantity to be sold during the forthcoming year to yield the same amount of profit as the current year assuming the selling price to remain at Rs. 90.



SECTION – C

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

8. What are the pre-requisites for Responsibility Accounting ? Mention the features and advantages of responsibility accounting.
9. What is a Uniform Costing Manual ? Explain in brief the advantages and limitations of uniform costing.
10. A company manufactures three products. The budgeted quantity, selling prices and units are as under :

	X (Rs.)	Y (Rs.)	Z (Rs.)
Raw materials (@ Rs. 20 per kg)	60	60	40
Direct wages (@ Rs. 5 per hour)	10	5	10
Variable overheads	10	30	20
Fixed overheads	9	22	18
Budgeted production (in units)	5000	4000	2500
Selling price per unit (in Rs.)	140	120	90

- i) Present a statement of budgeted profit.
 - ii) Set optimal product mix and determine the profit, if the supply of raw materials is restricted to 18000 kgs.
11. The following information is extracted from the records of the company.

Particulars	Per Unit	
	Product – A	Product – B
Sales	100	120
Consumption of material	2 kgs	3 kgs
Material cost	Rs. 10	Rs. 15
Direct wages cost	Rs. 15	Rs. 10
Direct expenses	Rs. 5	Rs. 6
Machine hours used	3 hrs	2 hrs
Overhead expenses :		
Fixed	Rs. 5	Rs. 10
Variable	Rs. 15	Rs. 20

Direct wages rate per hour Rs. 5. Comment on the profitability of each product (both use the same raw materials), then

- i) Total sales potential in units is limited.
- ii) Total sales potential in values is limited.
- iii) Raw material is in short supply.
- iv) Production capacity (in terms of machine of machine hours) is the limiting factors.
- v) Assuming raw materials as key factor, availability of which is 10,000 kg., and maximum sales potential of each product being 3,500 units, find out the product mix which will yield the maximum profit.



12. Auto Parts Ltd., has an annual production of 90,000 units for a motor component. The cost structure is as below :

	Rs.
Materials	270 p.u.
Labour (25% fixed)	180 p.u.
Expenses :	
Variable	90 p.u.
Fixed	135 p.u.
Total	675 p.u.

- a) Purchase manager has an offer from a supplier who is willing to supply the component at Rs. 540. Should the component be purchased and production stopped ?
- b) Assume the resources now used for this components manufacture are to be used to produce another new product for which the selling price is Rs. 485.

In the latter case, the material price will be Rs. 200 p.u. 90,000 units of this product can be produced at the same cost basis as above for labour and expenses.

Discuss whether it would be advisable to divert the resources to manufacture that new product, on the footing that the component presently being produced would, instead of being produced, be purchased from the market.