III Semester M.Com. Examination, April/May 2022
(CBCS Scheme)
COMMERCE
Paper – 3.3 AT : Accounting for Managerial Decisions

Time : 3 Hours Max. Marks : 70

SECTION – A

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

1. a) Give the meaning of marginal cost and marginal costing.
   b) State the points to be considered while making or buying decision of a product.
   c) Define responsibility accounting.
   d) What is performance budgeting ?
   e) What are costing manuals ?
   f) State the limitations of traditional budgeting.
   g) Point out the limitations of interfirm comparison.
   h) What is break-even point ?
   i) State the centres for control in responsibility accounting.
   j) Write the practicality of the budgetary control concepts in your life, within 6 points.

SECTION – B

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

2. Explain the limitations of absorption costing.

3. Explain the benefits of ZBB.

4. Television Division of LG Ltd. has employed 30 lakhs and earned an annual profit (after Depreciation) of Rs. 4,00,000. The divisional manager is considering an investment of Rs. 5,00,000 in an asset which will have eight year life with

no residual value and will earn a constant annual profit after Depreciation Rs 76,000.

The cost of capital is 15%. Ignore taxation.

You are required to work out :

a) The return on divisional investment and divisional residual income before and after the investment.

b) The Net Present Value (NPV) of new investment. (PV factor of an annuity of Re. 1 for 8 years at 15% is 4.4873).

5. The below data relates to Asus Ltd. which makes and sells computers :

	December	January
	Units	Units
Sales	5,000	10,000
Production	10,000	5,000
	Rs.	Rs.
Selling price per unit	100	100
Variable production cost PU	50	50
Fixed production overhead incurred	1,00,000	1,00,000
Fixed production overhead cost, per unit being the predetermined overhead absorption rate	10	10
Selling distribution and administration cost (all fixed)	50,000	50,000

Present a comparative profit statement for each month using marginal costing.

6. Which are the procedures to be used while preparing the master budget ? Explain.

7. Explain the objectives of uniform costing.

SECTION – C

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

8. How data base assists in the decision making process in the globalised economic condition of the business ?

9. Explain the advantages and disadvantages of interfirm comparison with suitable examples.

10. MTR food products enterprise sells four products, some of them are unprofitable. Hence, it proposes to discontinue the sale of one of them. Following information is available regarding its income, costs and activities for a year :

Particulars	Products			
	Chips	Cakes	Pickle	Sauce
Sales (Rs.)	3,00,000	5,00,000	2,50,000	4,50,000
Cost of sales at purchase price (Rs.)	2,00,000	4,50,000	2,10,000	2,25,000
Area of storage (Sq. ft.)	50,000	40,000	80,000	30,000
Number of parcels sent	1,00,000	1,50,000	75,000	1,75,000
Number of invoices sent	80,000	1,40,000	60,000	1,20,000

Its overhead costs and basis of allocation are :

Basis of allocation to production

	Rs.	Base of Allocation
Fixed costs :		
Rent and Insurance	30,000	Sq.ft.
Depreciation	10,000	Parcel
Salesman's salaries and expenses	60,000	Sales value
Administrative wages and salaries	50,000	Number of invoices
Variable costs :		
Packing, wages and materials	20 paisa per parcel	
Commission	4% of sales	
Packing	10 paisa per parcel	

You are required to :

i) Prepare divisional performance on the basis of profit showing percentage of profit or loss on sales for each product.

ii) Compare the profit, if the company discontinues sales of Cakes with the profit if it discontinues Pickle.

11. Ashoka product company recovers its fixed factory overheads of Rs. 80,000 on the basis of normal output of 1,60,000 units. The actual fixed overheads are same as budget fixed overheads. The management accountant presented, the following statement of profit for 3 years on the absorption costing basis :

Particulars	2017	2018	2019
Production (units)	1,76,000	1,92,000	1,28,000
Sales (units)	1,60,000	1,28,000	1,60,000
	Rs.	Rs.	Rs.
Cost of sales at standard	3,84,000	3,07,200	3,84,000
Production cost variance	1760A	1920A	1280A
Volume variance	8000F	16000F	16000A
Sales	4,80,000	3,84,000	4,80,000
Selling and administration cost (fixed)	48,000	48,000	48,000
Closing stock	38,400	1,92,000	1,15,200
Profit	54,240	42,880	30,720

(A = Adverse, F = Favourable)

Required :

i) Redraft the statement of marginal costing basis to show the closing stocks, contribution and profit.

ii) Prepare a statement reconciling the profit arrived at by you with the profits given above.

12. Discuss the concept of ZBB in the process of managerial decision.