

2022

M.Com. (Entrepreneurship &amp; Family Business)

1<sup>st</sup> Semester

FB-106: Accounting for Managerial Decisions

Time allowed: 3 Hours

Max. Marks: 80

**NOTE:** Attempt five questions in all, selecting atleast two questions from each Unit.

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**UNIT – I**

- I. What is accounting? State various concepts, conventions and principles. What is the relationship between economics and accounting? (16)
- II. What do you mean by cost volume profit analysis? Explain break even analysis with its practical applications. (16)
- III. Write notes on:-
- (a) Activity based budgeting
- (b) Fixed and flexible budget
- (c) Functional budget
- (d) Master budget (16)
- IV. There are two plants manufacturing the same product under one corporate management which decides to merge them.

Following particulars are available regarding the two plants:

	Plant 1	Plant 2
Capacity Operation	100%	60%
Sales	₹300lakhs	₹120lakhs
Variable cost	₹220lakhs	₹90lakhs
Fixed costs	₹40lakhs	₹25lakhs

You are required to calculate for the consideration of the board of directors:

- (a) What would be the capacity of the merged plant for the purpose of break even?
- (b) What would be the profitability on working at 80% of the merged capacity?
- (c) What would be the sales required to give an overall profit of ₹65 lakhs. (16)
- V. From the following information prepare a cash budget for the months of January to April:

	Expected Purchases	Expected Sales
January	48,000	60,000
February	80,000	40,000
March	81,000	45,000
April	90,000	40,000

Wages to be paid to workers ₹5,000 each month. Balance at bank on 1<sup>st</sup> January ₹8,000. It has been decided by the management that:

- (a) In case of deficit of fund within the limit of ₹10,000 an arrangement can be made with the bank.
- (b) In case of deficit of fund exceeding ₹10,000 but within the limit of ₹42,000, issue of debentures is to be preferred.

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(2)

- (c) In case of deficit of fund exceeding ₹42,000, issue of shares is preferred (considering the fact that it is within the limit of authorized capital). (16)

**UNIT – II**

- VI. What is standard costing? How it is related to variance analysis? State the various kinds of variances and their uses in computations of material, labour and overhead variances. (16)
- VII. What do you mean by responsibility accounting? Explain the various responsibility centres. What are the advantages and limitations of responsibility accounting? (16)
- VIII. What do you mean by transfer pricing? What role it plays in proper management? What are the various methods of transfer pricing? (16)

- IX. The standard cost card for a product shows at this:

		Per Unit Cost
Material Cost	2kg @ ₹2.50 each	5.00
Wages	2 hours @ .50 each	1.00

The actual which have emerged from business operations as follows:

Production	8000units	
Material consumed:	16,500 kg @ ₹2.40 each	₹39,600
Wages paid:	18000 hours @ .40₹ each	₹7200

Calculate appropriate material and labour variances. (16)

- X. What role does reporting system plays in effective management of an organization? Discuss the various kinds of reports prepared on different levels of management. (16)