22MIB105/20MIB05

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom (IB) DEGREE EXAMINATION DECEMBER 2022
(First Semester)

Branch – **INTERNATIONAL BUSINESS**

ACCOUNTING FOR DECISION MAKING

Time: Three Hours Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1. Business is distinct from the owner. The concept is called:
   (i) Business Entity (ii) Going concern
   (iii) Cost (iv) Money measurement

2. The standard for absolute liquid ratio is
   (i) 1:2 (ii) 1:1 (iii) 1.5:1 (iv) 0.75: 1

3. Management accounts is suitable for
   (i) Small business (ii) Cooperative Societies
   (iii) Non-profit organization (iv) Large industrial and trading concern

4. Cost accounting provides data to management __________.
   (i) Functions (ii) Decisions
   (iii) Activity (iv) Operations

5. A budget is generally evolved from
   (i) Forecast (ii) plan
   (iii) policies and procedure (iv) operations

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6. (a) Explain the objectives of IFRS.

OR

(b) Journalize the following in the books of Mr.Raman

1 Jan 2005		Raman commenced business with cash Rs.50,000
2		Purchased goods for cash Rs.10,000
3		Purchased goods from Mohan on Credit Rs.6,000
4		Paid in to bank Rs.5,000
10		Purchased furniture Rs.200

7. (a)

Cash	18,000	Debtors	1,42,000
Closing stock	1,80,000	Bills payable	27,000
Creditors	50,000	Outstanding expenses	15,000
Tax payable	75,000		

From the above information calculate:
(i) Current Ratio (ii) Liquid Ratio

OR

(b) The net profit (after taxes) of a firm is Rs.1,00,000 and its fixed interest charges on long term borrowings are Rs.20,000, the rate of income tax is 50%. Calculate interest coverage ratio.

8. (a) Classify between financial accounting and management accounting.

OR

Cont...

8. (b) From the following balance sheets, prepare cash flow statement:

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share capital	2,00,000	2,50,000	Cash	30,000	47,000
Suntry Creditors	70,000	45,000	Debtors	1,20,000	1,15,000
Profit & Loss a/c	10,000	23,000	Stock	80,000	90,000
			Land	50,000	66,000
	2,80,000	**3,18,000**		**2,80,000**	**3,18,000**

9. (a) Prepare a cost of production from the following details:

Direct Materials	Rs.10,000	Direct labour	Rs. 4,000
Direct Expenses	Rs.500	Factory overhead	Rs.1,500
Administrative overhead	Rs.1,000		

OR

(b) The following information relating to Murali company is given to you:

	Rs.
Sales	4,00,000
Fixed cost	1,80,000
Variable cost	2,50,000

Ascertain how much the value of sales must be increased for the company to break even.

10. (a) Prepare production budget for 3 months ending 30.6.2007

		Estimated Sales (Rs.)
April	2007	1,40,000
May	2007	1,60,000
June	2007	1,30,000
July	2007	1,20,000

It is the policy of the company to maintain 50% of the month's sales as opening stock.

OR

(b) Explain how the budgets are helpful in decision making of a company?

SECTION -C (30 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 x 6 = 30)

11. (a) From the following particulars prepare Trading, Profit and Loss Account and Balance Sheet as on 31.03.2008

Trial Balance

	Rs.		**Rs.**
Drawings	3,600	Capital	2,00,000
Buildings	30,000	Loan from Ravi	30,000
Furniture	15,000	Sales	2,00,000
Computer	50,000	Discount earned	15,000
Interest on loan	1,800	Creditors	20,000
Plant	32,200		
Purchases	1,50,000		
Opening stock	50,000		
General Expenses	30,000		
Carriage inwards	4,000		
Carriage outwards	2,000		
Debtors	56,000		
Cash at bank	40,400		
	4,65,000		**4,65,000**

Adjustments:

i. Closing stock Rs.64,000

ii. Depreciation at 10% on computer, 5 % on building and 10% on Furniture.

iii. Create a provision for bad and doubtful debts 5% on Debtors.

iv. Interest on capital 8%.

OR

11 (b) Categorize the different accounting concepts and conventions.

12 (a) Balance sheet of Eswar Ltd, as on 31.12.2007

Particulars	Rs.
I. Equity and Liabilities	
1. Shareholders' Fund	
(a) Share Capital	2,00,000
(b) 9% Pref.Share Capital	1,00,000
2. Non-Current Liabilities	
8% Debentures	1,00,000
3. Current Liabilities	
Profit & Loss A/c	40,000
Creditors	90,000
Total	**5,30,000**
II. Assets	
Non-Current Assets	
Fixed Assets	3,60,00
Current Assets	
(a) Stock	50,000
(b) Debtors	1,10,000
(c) Bills Receivables	6,000
(d) Cash at Bank	4,000
Total	**5,30,000**

Find out: (i) Debt-Equity Ratio, (ii) Current Ratio (iii) Liquid Ratio

OR

(b) From the following information, Calculate

(i) Gross Profit ratio (ii) Operating ratio
(iii) Operating Profit ratio (iv) Net Profit ratio

Sales	Rs.6,00,000
Cost of goods sold	Rs. 4,00,000
Operating Expenses	Rs. 1,20,000
Non-Operating income	Rs. 12,000
Non-Operating expenses	Rs. 4,000

13 (a) Analyze the objectives of management accounting.

OR

(b) Following are the Comparative Balance Sheet of a company for the Years 2002 and 2003:

Particulars	2002 Rs.	2003 Rs.
I. Equity and Liabilities		
1. Shareholders' Fund		
(a) Share Capital	70,000	74,000
2. Non-Current Liabilities		
Debentures	12,000	6,000
3. Current Liabilities		
Profit & Loss A/c	10,740	11,360
Creditors	10,360	11,840
Total	**1,03,100**	**1,03,200**
II. Assets		
Non-Current Assets		
Land	20,000	30,000
Goodwill	10,000	5,000
Current Assets		
(a) Stock	49,200	42,700
(b) Debtors	14,900	17,700
(c) Cash in hand	9,000	7,800
Total	**1,03,100**	**1,03,200**

14. (a) Prepare a Cost Sheet from the following:

Particulars	Rs.	Particular	Rs.
Material purchased	1,62,000	Carriage on Purchase	3,000
Depreciation on Plant	8,000	Factory rent	7,000
Indirect material	11,000	Indirect Labour	9,000
Direct Labour	28,000	Office Allowances	16,000
Depreciation on Furniture	3,000	Warehouse Rent	2,400
Advertising	2,000	Salesman Salary	2,600
Opening Stock of Raw Material	16,000	Closing stock of Raw Material	19,000

Number of Units produced 100 and all the units are sold at the rate of Rs.2,750 per unit.

OR

(b) From the following data relating to accompany calculate:

The break-even sales; and Sales required to earn a profit of Rs.65,000 per period.

Period	Total Sales Rs.	Total Cost Rs.
I	4,00,000	3,60,000
II	3,50,000	3,25,000

15. (a) Summarized below are the Income and Expenditure forecasts for the months of March to July 2006.

Month	Sales Rs.	Purchases Rs.	Wages Rs.
March	60,000	36,000	9,000
April	62,000	38,000	8,000
May	64,000	33,000	10,000
June	58,000	39,000	8,500
July	56,000	39,000	9,500

i. Prepare cash budget for 3 months ending on 31st July 2006.

ii. Cash balance on 1st May 2006 Rs.8,000

iii. Advance tax Rs.8,000 payable in March and June each.

iv. Credit allowed by suppliers is 2 months and allowed to customer is one month.

v. Lag in payment of wages is one month.

OR

(b) Draw up a flexible budget for overhead expenses the basis of the following data and determine overhead rates at 70%, 80% and 90% plant capacity.

Particular	At 70% Capacity Rs.	At 80% Capacity Rs.	At 90% Capacity Rs.
Variable Overheads:			
Indirect Labour	-	12,000	-
Stores including spares	-	4,000	-
Semi-Variable Overheads:			
Power (60% fixed, 40% variable)	-	20,000	-
Repairs and maintenance (60% fixed, 40% variable)	-	2,000	-
Fixed Overheads:			
Depreciation	-	11,000	-
Insurance	-	3,000	-
Salaries	-	10,0000	-
Total Overheads	-	**62,000**	-

Estimated direct labour hours 1,24,000 hrs.

Z-Z-Z END