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PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

MCom (IB) DEGREE EXAMINATION MAY 2024
(First Semester)

Branch – **INTERNATIONAL BUSINESS**

ACCOUNTING FOR DECISION MAKING

Time: Three Hours | Maximum: 75 Marks

SECTION-A (10 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (10 × 1 = 10)

1 Business is distinct from the owner. This concept is called
a) Business entity b) Going concern
c) Money measurement d) Accrual

2 Rent account is
a) Personal account b) Nominal account
c) Real account d) Impersonalaccount.

3 The ideal level of liquid ratio is
a) 1:1 b) 2:1
c) 0.5:1 d) 3:1

4 Current ratio is also known as
a) Quick ratio b) Acid test ratio
c) Working capital ratio d) Absolute liquid ratio

5 Stock in the beginning results in
a) Sources of funds b) Application of funds
c) Non change in funds d) None ofthe above

6 Decrease in current assets will be treated as
a) Sources of funds b) Application of funds
c) Non change in funs d) All of theabove

7 Contribution is the difference between
a) Sales and variable cost b) Fixed and variable cost
c) Total cost and Fixedcost d) None of the above

8 Total cost +Profit=?
a) Sales b) Contribution
c) BEP d) None

9 Budget is prepared for a
a) Definite period b) Indefinite period
c) Period of one year d) Six months

10 A flexible budget requires careful study and classification of expenses into
a) Past and current expenses b) Fixed, semi variable and variable expenses
c) Administrative expenses d) Management expenses

Cont...

SECTION - B (35 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** Marks (5 × 7 = 35)

11. a Prepare trading and profit and loss Account from the information given below:

	Rs.		Rs.
Opening stock	3,600	Rent (Factory)	400
Purchases	18,260	Rent (Office)	500
Wages	3,620	Sales Returns	700
Closing Stock	4,420	Purchase Returns	900
Sales	32,000	General Expenses	900
Carriage on purchases	500	Discount to Customers	360
Carriage on Sales	400	Interest from Bank	200

(OR)

b Differentiate IFRS and GAAP.

12. a M/s. Asoka Ltd. Has submitted the following Balance Sheet as on 30th June 2000.

	Rs.		Rs.
Equity capital	1,50,000	Fixed assets	1,62,000
Revenue reserves	30,000	Current assets:	
8% Debentures		Stock	
	20,000		22,000
Current liabilities:		Debtors	51,000
Sundry creditors	49,000	Bills receivable	2,000
		Bank	12,000
	2,49,000		2,49,000

Find the current ratio and quick ratio and comment on the financial condition of the company.

(OR)

12. b. Calculate gross profit ratio:

	Rs.		Rs.
Sales	2,20,000	Purchase	1,75,000
Sales returns	20,000	Purchase returns	15,000
Opening stock	30,000	Closing stock	40,000

13. a. From the following summarized balance sheets of Sri Krishna Ltd., prepare a schedule of changes Iworking capital and a statement of sources and application of funds.

abilities	98 (Rs.)	99(Rs.)	sets	98 (Rs.)	99(Rs.)
are capital	4,00,000	5,75,000	nt	75,000	1,00,000
editors	1,06,000	70,000	ck	1,21,000	1,36,000
fit and loss account	14,000	31,000	btors	1,81,000	1,70,000
			sh	1,43,000	2,70,000
	5,20,000	6,76,000		5,20,000	6,76,000

(OR)

Q. No 13 Cont...

b Compute cash from operation

Profit for the year is a sumofRs.10000 after providing for depreciation of Rs.2000

Debtors	10000	12000
Provision for doubtful debts	1000	1200
Bills receivable	4000	3000
Bills payable	5000	6000
Creditors	8000	9000
Inventories	5000	8000
Short term investment	10000	12000
Outstanding expenses	1000	1500
Prepaid expenses	2000	1000
Accrued Income	3000	4000
Income received in advance	2000	1000

14. a. Give a specimen of cost sheet.

(OR)

b. Calculate Break-even point from the following particulars.

	Rs.
Fixed expenses	1,50,000
Variable cost per unit	10
Selling price per unit	15

15. a. Prepare a production budget for three months ending March 31, 2008, for a factory producing fourproducts, on the basis of the following information.

Type of product	Estimated stock onJan 1, 2008 Units	Estimated sales duringon Jan-March, 2008 Units	Desired closing stockMarch 31, 2008 Units
A	2,000	10,000	5,000
B	3,000	15,000	4,000
C	4,000	13,000	3,000
D	5,000	12,000	2,000

(OR)

b. Parker Ltd., manufactures two brands of pen Hero & Zero. The sales department of the company has three departments in different areas of the country

The sales budget for the year ending 31st December 2008 were: Hero-Department I 3,00,000; Department II 5,62,000; Department III 1,80,000 and Zero-Department I 4,00,000; Department II 6,00,000; and Department III 20,000. Sales prices are Rs. 3 and 1.20 in all departments.

It is estimated that by forced sales promotion the sale of 'Zero' in department I will increase by 1,75,000. It is also expected that by increasing production and arranging extensive advertisement, Department III will be enabled to increase the sale of 'Zero' by 50,000.

It is recognized that the estimated sales by department II represent an unsatisfactory target. It is agreed to increase both estimate by 20%.

Prepare a Sales Budget for the year 2009.

SECTION -C (30 Marks)

Answer **ANY THREE** questions
ALL questions carry **EQUAL** Marks (3 × 10 = 30)

16. From the following Trial Balance of Ravi, prepare Trading and Profit and Loss Accountsfor the year ended December 31st 1993 and a Balance Sheet as on that date:

Particulars	Debit (Rs.)	Credit (Rs.)
Capital		40,000
Sales		25,000
Purchases	15,000	
Salaries	2,000	
Rent	1,500	
Insurance	300	
Drawings	5,000	
Machinery	28,000	
Bank Balance	4,500	
Cash	2,000	
Stock 1-1-93	5,200	
Debtors	2,500	
Creditors		1,000
	66,000	**66,000**

Adjustments required :

a) Stock on 31-12-93	4,900
b) Salaries unpaid	300
c) Rent paid in advance	Rs. 200
d) Insurance prepaid	Rs. 90

17. From the following information, prepare a Balance Sheet. Show the workings.

1	Working capital	Rs.75,000
2	Reserves and surplus	1,00,000
3	Bank of overdraft	60,000
4	Current ratio	1.75
5	Liquid ratio	1.15
6	Fixed assets to proprietors funds	0.75
7	Long- term liabilities	Nil

18. Distinguish between management accounting and financial accounting.

19. You are required to calculate (a) P.V. ratio (b) margin of safety (c) Sales (d) variable cost from the following figures: Fixed cost Rs. 12,000; Profit Rs. 1,000 Break Even Sales Rs. 60,000

20. Kailash Bros. submits the following figures of product X for the first quarter of 2008.

Sales (units)	January	10,000
	February	8,000
	March	12,000

Selling price per unit Rs.10.
It is estimated that by reducing the selling price by 10% and by intensive sales promotion measures, thesale of product X in the first quarter of 2008 will increase by 20%.

A study of the past experience reveals that Kailash Bros. has lost about 3% of its billed revenue in eachquarter because of returns (constituting 2% of loss of revenue) allowance and bad debts (1% loss)

Prepare a sales budget incorporating the above information.

Z-Z-Z END