



MBA.IB.II/11.247

**MBA (IB) & MIB DEGREE SUPPLEMENTARY II SEMESTER EXAMINATION  
APRIL 2011**

**SMI 2201 ACCOUNTING FOR MANAGERIAL DECISION**

Time: 3 Hours

Maximum Marks: 50

(Answer ALL questions)  
(All questions Carry EQUAL marks)

- I. A. "The emphasis in financial accounting and management accounting differ in many respects" – Explain.
- OR**
- B. "Costs may be classified in variety of ways to their nature and information needs of the management" – Discuss.

- II. A. Explain the need and importance of Budgetary Control. How is it differ from Standard Costing?
- OR**
- B. Prepare the Cash Budget of Fashion Fabrics Ltd. for the months April 2010 to July 2010 (four months) from the details given below:

(a) Estimated sales during 2010

| <u>February</u> | <u>March</u> | <u>April</u> | <u>May</u>   | <u>June</u>  | <u>July</u>  | <u>August</u> |
|-----------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Rs.12,00,000    | Rs.12,00,000 | Rs.16,00,000 | Rs.20,00,000 | Rs.18,00,000 | Rs.16,00,000 | Rs.14,00,000  |

- (b) On an average 20% of Sales are cash sales. Credit sales are realized in the third month (January sales in March).
- (c) Purchases amounts 60% of sales. Purchases made in the month are generally sold in the third month and payment for purchases also made in the third month.
- (d) Variable expenses (other than sales commission) constitutes 10% of sales and there is a time lag of  $\frac{1}{2}$  a month in these payments.
- (e) Commission on sales is paid at 5% of Sales value and payment is made in the third month.
- (f) Fixed expenses per month amount to Rs.75,000 approximately.
- (g) Other items anticipated:
- |                          |                                   |
|--------------------------|-----------------------------------|
| Interest on deposits     | - Rs.1,60,000 (Due in April 2010) |
| Sales of old assets      | - Rs.12,500 (May 2010)            |
| Payment of tax           | - Rs.,80,000 (June 2010)          |
| Purchase of fixed assets | - Rs.6,50,000 (july 2010)         |
- (h) Opening cash balance - Rs.1,50,000

(P.T.O.)

- III. A. Distinguish between Standard Costing and Historical Costing. How does it help in keeping a Control over costs? What are its limitations?

**OR**

- B. The following information has been extracted from the records of a Chemical Company.

Standard price – Raw material A – Rs.2 per Kg. Raw Material B – Rs.10 per Kg.

Standard Mix – A – 75%, B - 25%

Standard Yield - 90%

In a period the actual costs, usages and output were:

Used : 2200 Kgs of A costing Rs.4650, 800 Kgs of B costing 7850,

Output : 2850 Kgs of products

Calculate material cost variances.

- IV. A. Distinguish between Marginal Costing and Absorption Costing. Discuss the practical use of cost-volume-profit analysis.

**OR**

- B. A company manufactures radios which is sold at Rs.1600 per unit. The total cost is composed of 30% of direct materials, 40% direct wages and 30% overheads. An increase in material cost by 30% and wages rates by 10% is expected in the forthcoming year, as a result of which the profit at current selling price may decrease by 40% of the present profit per unit.

You are required to prepare a statement showing current and future profit at present selling price. How much selling price should be increased to maintain the present rate of profit?

- V. A. Discuss the important tools used for Financial Statement Analysis.

**OR**

- B. Mr. Arun asks you to prepare his balance sheet from the particulars furnished below:

|                             |            |
|-----------------------------|------------|
| Stock velocity              | - 6 times  |
| Gross profit margin         | - 20%      |
| Capital Turnover Ratio      | - 2        |
| Fixed Assets Turnover Ratio | - 4        |
| Debt Collection period      | - 2 months |
| Creditors payment period    | - 73 days  |

Gross profit was Rs.60000. Excess of opening stock over closing stock was Rs.5000.

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