

**(FOR THE CANDIDATES ADMITTED
DURING THE ACADEMIC YEAR 2024 ONLY)**

24PCC414

REG.NO. :

N.G.M.COLLEGE (AUTONOMOUS) : POLLACHI

END-OF-SEMESTER EXAMINATIONS : APRIL - 2026

M.Com.-C.A

MAXIMUM MARKS: 75

SEMESTER: IV

TIME : 3 HOURS

ACCOUNTING FOR DECISION MAKING

SECTION – A

(10 X 1 = 10 MARKS)

ANSWER THE FOLLOWING QUESTIONS.

MULTIPLE CHOICE QUESTIONS.

(K1)

1. Match the following best describes the primary objective of management accounting?
 - a) Preparation of statutory financial statements for external users
 - b) Providing information for internal decision-making by management
 - c) Compliance with income tax and GST regulations
 - d) Conducting external audit of financial records
2. What does the acronym 'ROI' stand for in the context of ratio analysis?
 - a) Rate of Interest
 - b) Return on Investment
 - c) Ratio of Income
 - d) Revenue on Inventory
3. Relate to AS-3 (Revised), which of the following is NOT a category of cash flow activity?
 - a) Operating activities
 - b) Investing activities
 - c) Financing activities
 - d) Administrative activities
4. In marginal costing, which cost is treated as a period cost and charged directly to the Profit & Loss Account?
 - a) Direct material cost
 - b) Direct labour cost
 - c) Variable overhead cost
 - d) Fixed overhead cost
5. Which type of budget is prepared for a single level of activity and does not change with actual output?
 - a) Flexible budget
 - b) Zero-based budget
 - c) Fixed budget
 - d) Master budget

ANSWER THE FOLLOWING IN ONE (OR) TWO SENTENCES

(K2)

6. Compare management accounting and financial accounting based on their primary users
7. Explain any one significance of liquidity ratios in assessing a company's short-term financial position.
8. Interpret any two key differences between fund flow and cash flow statements

9. Explain the term marginal costing.

10. Distinguish between fixed budget and flexible budget in one key aspect.

SECTION – B

(5 X 5 = 25 MARKS)

**ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.
(K3)**

11. a) Prepare comparative statements from the following.

Particulars	31-3-2011	31-3-2012
Revenue from Operations	10,00,000	15,00,000
Expenses	6,00,000	10,50,000
Other Income	2,00,000	1,80,000
Income Tax	50%	50%

(OR)

b) Apply the common size statement technique to the Balance Sheets of Harsha Ltd. and interpret any two significant changes in the financial position between the two years.

Liabilities	2005 (₹)	2006 (₹)	Assets	2005 (₹)	2006 (₹)
Equity Capital	1,00,000	1,65,000	Fixed Assets	1,20,000	1,75,000
Preference Capital	50,000	75,000	Stock	20,000	25,000
Reserves	10,000	15,000	Debtors	50,000	62,500
Profit and Loss Account	7,500	10,000	Bills Receivable	10,000	30,000
Bank Overdraft	25,000	25,000	Prepaid Expenses	5,000	6,000
Creditors	20,000	25,000	Cash at Bank	20,000	26,500
Provision for Taxation	10,000	12,500	Cash in Hand	5,000	15,000
Proposed Dividend	7,500	12,500			
	2,30,000	3,40,000		2,30,000	3,40,000

12. a) From the following information determine opening and closing stocks:

Stock Turnover 5 times

Total Sales Rs. 2,00,000

Gross Profit 25% of sales

The closing stock value was more by Rs. 4,000 than the opening stock.

(OR)

b) A firm has a current ratio of 3:1. Its net working capital is Rs. 2,00,000. You are required to determine. (i) current assets, (ii) current liabilities, and (iii) liquid assets assuming inventory of Rs. 2,20,000

13. a) From the following information calculate funds from operations of the second year.

Particulars	I year	II Year
Profit & Loss account	25000	40000
General Reserve	40000	45000
Goodwill	7000	4000
Preliminary Expenses	5000	3000
Provision for Depreciation	10000	12000

(OR)

b) Calculate Cash from Operations from the following:

Particulars	I year	II year
Profit and Loss appropriation a/c	10,000	20,000
Bills receivable	18,000	22,000
Provision for depreciation	40,000	42,000
Outstanding rent	1,600	4,000
Prepaid insurance	2,000	1,800
Goodwill	24,000	20,000
Stock	12,000	16,000

14. a) A company has earned a profit of Rs.30,000 during the year 2021. If the marginal cost and selling price of a product are Rs.8 and Rs.10 per unit respectively, find out the margin of safety.

(OR)

- b) You are required to calculate Break Even Volume from the following data.: Profit Rs.5000(20% of sales), P.V Ratio is 50%

15. a) Prepare a Production Budget for three months ending 31st March 1999 for a factory producing three products on the basis of the following information.

Type of product	Estimated stock on 1.1.1999 (units)	Estimated sales during Jan- March 1999(units)	Desired closing stock 31.03.1999(units)
A	2000	10000	5000
B	3000	15000	4000
C	4000	13000	3000
D	5000	12000	2000

(OR)

- b) Illustrate how a flexible budget helps a seasonal business evaluate performance accurately. Give two reasons.

SECTION – C

(5 X 8 = 40 MARKS)

ANSWER EITHER (a) OR (b) IN EACH OF THE FOLLOWING QUESTIONS.

(K4 (Or) K5)

16. a) Apply the comparative balance sheet technique to analyze the financial position of Mohan Ltd. and interpret any two significant changes that would help management make investment decisions.

Liabilities	2011 (₹'000)	2012 (₹'000)	Assets	2011 (₹'000)	2012 (₹'000)
Equity Share Capital	400	600	Land & Buildings	270	170
Reserves & Surplus	312	354	Plant & Machinery	310	786
Debentures	50	100	Furniture & Fixtures	9	18
Long Term Loans	150	255	Other Fixed Assets	20	30
Accounts Payable	255	117	Loans & Advances	46	59
Other Current Liabilities	7	10	Cash & Bank	118	10
			Accounts Receivable	209	190
			Inventory	160	130
			Prepaid Expenses	3	3
			Other Current Assets	29	40
Total	1,174	1,436	Total	1,174	1,436

(OR)

b) Apply the common-size balance sheet technique to analyze the financial position of Emm Kay Ltd. and interpret any two significant changes in the capital structure between 2019 and 2020.

Particulars	31st March 2020 (₹)	31st March 2019 (₹)
Equity and Liabilities:		
Share Capital—Equity	5,00,000	5,00,000
Share Capital—Preference	3,00,000	1,00,000
Reserves and Surplus	3,50,000	2,50,000
10% Debentures	4,00,000	3,00,000
Trade Payables	50,000	50,000
Assets:		
Trade Receivables	4,00,000	2,00,000
Cash and Bank Balances	2,00,000	2,00,000
Land and Building	10,00,000	8,00,000

17. a) Analyze the financial position of a firm using the information given below by computing and interpreting the following ratios:

(i) Quick Ratio (ii) Stock Turnover Ratio

(iii) Debt-Equity Ratio (iv) Return on Investment

Information: Current Assets Rs. 5,00,000; Opening Stock Rs. 50,000; Closing Stock Rs. 1,50,000; Cost of Goods Sold Rs. 12,00,000; Gross Profit Rs. 2,00,000; Indirect expenses Rs 20,000; Equity Share Capital Rs. 7,00,000; 10% Preference Share Capital Rs. 3,00,000; 12% Debentures Rs. 2,00,000; Current Liabilities Rs. 2,00,000; General Reserve Rs. 1,00,000.

(OR)

b) A company having a net working capital of Rs. 2.8 lakhs as on 30-6-2008 indicates the following financial ratios and performance figures:

Current ratio -2.4

Liquidity ratio -1.6

Inventory turnover (on cost of sales) -8

Gross profit on sales -20%

Credit allowed (months) -1.5

The company's fixed assets is equivalent to 90% of its net-worth (share capital *plus* reserves) while reserves amounted to 40% of share capital.

Analyze the financial structure of the company using the given ratios and performance indicators, and reconstruct the Balance Sheet as on 30-6-2008 by systematically deriving the missing financial components with appropriate calculations.

18. a) Balance Sheets of Veena Industries Ltd are given below.

Liabilities	31st March	31st March	Assets	31st March	31st March
	1999 Rs.	2000 Rs.		1999 Rs.	2000 Rs.
Share capital	1,40,000	1,48,000	Cash	18,000	15,600
Reserves	2,000	3,000	Debtors	29,800	35,400
Bank loan	22,000	9,000	Stock	98,400	85,400
Creditors	10,000	12,000	Land	40,000	60,000
Profit & Loss a/c	18,200	19,600	Investment	15,000	7,000
Proposed dividend	14,000	14,800	Goodwill	5,000	3,000
	2,06,200	2,06,400		2,06,200	2,06,400

During the year ending 31st March 2000,

1. Land costing Rs. 20,000 was sold for Rs. 25,000
2. Investments costing Rs. 10,000 was sold for Rs. 10,500

Evaluate the liquidity and financial performance of Veena Industries Ltd. by preparing a Cash Flow Statement for the year ended 31st March 2000 based on the given data, and critically interpret the results with respect to cash management and financial stability.

(OR)

b) Evaluate the financial management and fund utilization efficiency of the firm by preparing a Funds Flow Statement based on the given Balance Sheets as at 31st March 1999 and 2000, and critically assess the sources and applications of funds.

Particulars	31st March 1999 Rs.	31st March 2000 Rs.	31st March 1999 Rs.	31st March 2000 Rs.
Liabilities:				
Share capital	40,000	45,000		
Trade creditors	10,000	23,000		
Profit & Loss A/c.	2,30,000	2,50,000		
Assets:				
Cash			30,000	47,000
Debtors			1,20,000	1,15,000
Stock-in-trade			80,000	90,000
Land			50,000	66,000
	2,80,000	3,18,000	2,80,000	3,18,000

19. a) Evaluate the profitability and operational efficiency of Quick Standards Ltd. by applying cost–volume–profit analysis to the given data, and determine the P/V Ratio, Break-even Point, Profit, Margin of Safety, and the sales volume required to earn a target profit of Rs. 6,000, with appropriate interpretation.

Total Fixed Costs	Rs. 4,500
Total Variable cost	7,500
Total sales	15,000

(OR)

b) Evaluate the cost–volume–profit relationship across Period I and Period II, assuming constant cost structure and selling price, and determine the following:

- (i) P/V Ratio
- (ii) Break-even Sales
- (iii) Profit when sales are Rs. 1,00,000
- (iv) Sales required to earn a profit of Rs. 20,000
- (v) Margin of Safety in Period II

Period	Sales Rs.	Profit Rs.
I	1,20,000	9,000
II	1,40,000	13,000

20. a) Analyze the cash flow position of S.K. Brothers for the period October to December 2010 using the given data, and prepare a Cash Budget by systematically estimating cash inflows and outflows, considering credit policies and payment patterns.

Month	Credit Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)
August	3,60,000	2,49,600	24,000
September	3,84,000	2,88,000	28,000
October	2,16,000	4,86,000	22,000
November	3,48,000	4,92,000	20,000
December	2,52,000	5,36,000	30,000

50% of credit sales are realized in the month following the sales and remaining 50% in the second following. (b) Creditors are paid in the month following the month of purchase (c) Estimated cash as on 1-10-2010 is Rs.50,000.

(OR)

b) The cost of an article at a capacity level of 5,000 units is given under A below. For a variation of 25% in capacity above or below this level, the individual expenses vary as indicated under B below:

Particulars	A Rs.	B
Material Cost	25,000	(100% varying)
Labour Cost	15,000	(100% varying)
Power	1,250	(80% varying)
Repairs and Maintenance	2,000	(75% varying)
Stores	1,000	(100% varying)
Inspection	500	(20% varying)
Depreciation	10,000	(100% fixed)
Adm. Overheads	5,000	(25% varying)
Selling Overheads	3,000	(25% varying)
	62,750	

Cost per unit Rs. 12.55

Analyze the cost behavior of each component at different capacity levels based on the given data, and compute the unit cost of the product at production levels of 4,000 units and 6,000 units by appropriately segregating variable and fixed elements.