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Register Number: **7242**

Name of the Candidate:

DIPLOMA EXAMINATION, 2010

(ACCOUNTING AND FINANCE)

(PAPER-III)

130. ACCOUNTING FOR DECISION MAKING

Dec] [Time : 3 Hours

Maximum : 100 Marks

Answer any FIVE questions ***(5×20=100)***

1. Define Management Accounting and distinguish it from financial accounting.

2. Explain the significance of ratios in financial analysis.

3. What do you understand by funds flow? Explain how does it differ from cash flow?

4. Define Marginal Cost. Explain the Marginal Costing technique in managerial decision making process.

5. What is meant by Budgetary control? Explain its uses and limitations.

6. Form the Balance sheets of Aarthi Enterprises, prepare funds flow statement.

Balance sheet

Liabilities	2009	2010	Assets	2009	2010
Equity Share Capital	4,50,000	5,00,000	Good will	1,15,000	90,000
General Reserves	40,000	70,000	Land & Building	2,00,000	1,70,000
Profit & Loss A/c	30,000	48,000	Plant	80,000	2,00,000
Prop. Dividend	42,000	50,000	Sundry debtors	1,60,000	2,00,000
Sundry creditors	55,000	83,000	Stock	77,000	1,09,000
B/P	20,000	16,000	B/R	20,000	30,000
Pro. For taxation	40,000	50,000	Cash	25,000	18,000
	6,77,000	8,17,000		6,77,000	8,17,000

Additional information:

1. Depreciation of Rs.10,000/- and Rs.20,000/- have been charged on plant and Land & Building respectively in 2010
2. An interim dividend of Rs.20,000/- has been paid in 2010.
3. Income tax of Rs.35,000/- has been paid in 2010.

7. The Balance sheet of X Co Ltd as on 31.3.10 shows as follows

Liabilities		Assets	
Equity Share Capital	1,00,000	Fixed Assets	1,80,000
15% per share capital	50,000	Stock	25,000
12% Debentures	50,000	Sundry debtors	55,000
General reserves	20,000	B/R	5,000
Sundry creditors	45,000		
	2,65,000		2,65,000

Comment on the financial position of the company.

8. A factory is currently working at 40% capacity and produces 10,000units. At 50% the selling price falls by 3%. At 9% capacity the selling price falls by 5%. Estimate the profit at 50% and 90%. Also calculate the B.E. points. The cost details at present per unit is materials Rs.10/- labour Rs.3/- overheads Rs.5/- out of which 60% is fixed and 40% variable. The selling price is Rs.20/- per unit.

9. An I.T. firm manufacturing a computer chip finds that it costs Rs.625 each to make. The same is available in the market for Rs.575/- each, with an assurance of continued supply. The cost break up is materials Rs.275/-, Labour Rs.175/- other variable expenses Rs.50/- and fixed expenses Rs.125/-

(a) Should buy (or) make?

(b) What would be your decision if the supplier offers the component for Rs.485/- each?

10. For production of 10,000 units of a particular product, the following are the budgeted expenses. D. Materials Rs.60/- per unit, D-labour Rs.30/- Per unit variable overhead Rs.25/-per unit, Fixed overhead Rs.1,50,000 (total), selling expenses Rs.15/- Per unit (10% fixed and 90% variable), Administration expenses Rs.50,000 (total). Prepare a budget for the production of 6000, 7000 and 8000 units.
