

MASTER OF COMMERCE
Term-End Examination
June, 2007

**MCO-05 : ACCOUNTING FOR
MANAGERIAL DECISIONS**

Time : 3 hours

Maximum Marks : 100

Note : Attempt any **five** questions. All questions carry equal marks.

1. Define 'Management Accounting'. Explain the role of management accountant in an organisation. 5+15

2. What are the financial statements ? Explain any two methods of analysis of financial statements and their limitations. 5+15

3. What is budgeting ? What are the essentials of an effective system of budgeting ? 5+15

4. What do you mean by 'contribution' ? How does it help the management in taking decisions ? 5+15

5. (a) What is margin of safety ? How do you improve margin of safety ?
- (b) Calculate P/V ratio and BEP from the following :
- Sales : Rs. 6,00,000
- Profit : Rs. 40,000
- Margin of safety : Rs. 1,60,000 8+12
6. Explain any two ratios that help the management to form an opinion on short term and long term solvency of a company. 10+10
7. What do you mean by absorption costing ? From the following information you are required to prepare an Income Statement under (a) absorption costing and (b) marginal costing from the following information : 4+8+8
- Production : 1,00,000 units
- Sales : 90,000 units @ Rs. 3 per unit
- Variable cost : Rs. 2 per unit
- Fixed overheads : Rs. 50,000
- Selling and distribution costs : Rs. 10,000 of which
Rs. 4,000 is variable.

8. The following figures relate to the quantity of material required for the production of a product :

	Standard			Actual		
	Quantity (kgs)	Price (Rs.)	Amount (Rs.)	Quantity (kgs)	Price (Rs.)	Amount (Rs.)
A	60	10	600	80	12	960
B	90	20	1800	60	25	1500
	150		2400	140		2460

Compute the following :

- Material Cost Variance
 - Material Price Variance
 - Material Usage Variance
 - Material Mix Variance 5+5+5+5
9. A company produces two products A and B during the year 2005 and gives the following information :

Products	A (Rs.)	B (Rs.)
Raw material cost per unit	15	7
Direct wages per unit	8	6
Variable overhead per unit	4	3
Fixed overheads (total)	1,44,000	1,62,000
Selling price per unit	38	27
Production and sales (units)	12,000	18,000

The director proposed to decrease sales to 8,000 units of product A and 12,000 units of product B and increasing the selling price to Rs. 40 in the case of product A and Rs. 30 in the case of product B.

You are required to present the overall profitability under the revised budget and the original budget after taking the above proposal into consideration.

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