M.Com Semester 1

Assignment

Subject: Accounting for Managers

Following are the questions.

Submit any 4 of them.

Q1. Archana-Vina company is formed to take over a running business, it has decided to raise Rs. 2750000 by issuing equity shares and the balance of capital required in the first six months is t be financed by a financial institution against an issue of Rs. 250000 (% debentures (interest payable anually) in its favour:

Initial outlay consist of:

Freehold premises	Rs. 1250000
Plant-machinery	Rs. 500000
Stock	Rs.300000
Vehicles and other item	Rs. 2,50,000

Payment on above items are to be made in the month of in corporation Sales during the fin six months ending on June 30 are estimated as under:

January	700000	April	1250000
February	750000	May	1325000
March	925000	June	1400000

Other information:

1. Preliminary expenses Rs.25000 (payable in February)
2. General expenses Rs.25000 per month (at end of each month)
3. Monthly wages and salaries payable on the first day of the next month Rs.40000 for the first three months, Rs.7475000 thereafter.
4. Gross profit rate is expected to be 20% on sales.
5. The shares and debentures are to be issued on 1st January.
6. The stock level through out is to be the same as the outlay.
7. Lag in payment:

   Debtors - 2 months, Creditors - 1 month

Prepare a cash budget and a projected Trading and profit and loss account for the six months ended June 30 and the projected Balance sheet at that data.

Q2. Single product company estimate its sales for the next year quarter wise as under:

Quarter	Sales Units
I	3000
II	37500
III	41250
IV	45000

The opening stock of finished goods is 10000 units and the company expects to maintain the ting stock finished goods at 16250 units at the end of the year. The production pattern in each quarter is based on 80% of sales of the current quarter and 20% of the sales of the next quarter.

The opening stock of raw materials in the beginning of the year is 10000 kg and the closing stock at the end of year is required to be maintained at 5000 kg. Each unit of finished output requires 2 kg. of raw materials.

The company proposes to purchase the entire annual requirement of raw materials in the quarter so the proportion and at the prices given below:

Quarter	Purchase of Raw materials to total annual requirement in quantity	Price per kg.
I	30%	2
II	50%	3
III	20%	4

The value of the opening stock of raw materials in the beginning of the year is Rs. 20000 You are required to present the following for the next year, quarter wise:

(i) Production budget in units.

(ii) Raw material consumption budget in quantity.

(iii) Raw material purchase budget in quantity and value.

Q3. Following are the details of production dept. of XYZ Ltd.

Monthly production……………………………………………………….Rs.20,000 units

No. of workers occupied (monthly)..................................400

Sales……………………………………………………………………………………Rs. 2,00,000

Contribution……………………………………………………………………Rs. 1,00,000

Fixed cost…………………………………………………………………………..Rs. 15,000

Company Mgmt. Board has proposed for the mechanism of company. According to it, there will be capital cost of Rs. 30,000 Because of mechanization, no. of workers will be reduced by 50 but the productivity is expected to increase by 80%. Mgmt. Board has implemented a motivated plan to increase productivity. On implementation of it, each worker will get 2% of increase in the rate of piece-wage system for every 10% of volume of worker's average individual production. Presently they are getting wages @ Rs. 2 per unit. To sell the all units produced, there is a suggestion of 8% reduction in the price of product. Rate of cost of capital is 10% annually.

Present a report to the Mgmt. Board showing that the above said proposal will be benefitted or not to the company. Give proper clarifications.

Q4. The working of a manufacturing department-I at Samarth Co. Ltd. are given below

Monthly Informations:.

SalesRs……………..3,60,000

Fixed Expenses... Rs. 60,000

Contribution......Rs. 1,35,000

Production (Units)...... 18,000

Number of workers employed = 360.

The board of directors plan to introduce more mechanization into the department at a capital cost of Rs. 54,000. The proposed mechanization will lead to reduction in the labour force by 60 but the productivity can be increased by 70%.

To provide necessary incentive to the workers for higher productivity, the board intends to offer a 3% rise on the piece work rate of Rs. 5 per unit for every 10% increase in average individiual output.

It is also proposed to reduce the selling price by 4% to sell the entire production. The cost of capital is assumed to be 12% per annum.

Give report to the board of directors showing the profitablity of implementing the above proposal. Give necessary working.

Q5. Division-A is a profit centre, which product four products O, P, Q and R. Each product is sold in the external market also. Data for the period is as follows:

Particulars	O	P	Q	R
Labour Hours per unit	3	4	2	3
Market price per unit	150	146	140	130
Variable Cost per unit	130	100	90	85

Product-R can be transferred to Division B. but the maximum quantity required for transfer is 2500 units of R.

The maximum sales in the external market are as under:

Products	O	P	Q	R
Units	2800	2500	2300	1600

Division-B can purchase the same product at a slightly cheaper price of Rs. 125 per unit instead Division-A. What should be Transfer price" for each unit of product-R if the total labour hours available in Division-A are:

(i) 20,000 Labour Hours

(ii) 30,000 Labour Hours:

Q6. Neha Co. ltd provides following information for the year 2018-19:

Particulars	Rs.	Rs.
Sales (50,000 units)		10,00,000
Direct material	3,50,000	
Wages	2,00,000	
Fixed Manufacturing expense	2,00,000	
Variable Manufacturing expense	50,000	
Office expense	1,80,000	
Sales expense	1,20,000	11,00,000
Loss		-1,00,000

New reforms have been suggested. As management accountant, after evaluating every option, you criticize.

(a) After giving 10% commission to salesman, sales is to expected to increase to get the break even point.
(b) If Selling price is decreased by 10%, 30% increase in sales is expected.

(c) Direct Wage rate per hour is increased from Rs. 4 to Rs. 5 to increase the productivity. For that production and sales increased by 20% and advertisement expenses also increased by Rs. 50,000.
(d) Additional advertisement is incurred for Rs. 3,00,000. Selling price also is to increase by 20% for achieving Margin of profit by 10%.

Q7. Explain Value Analysis. Distinguish value engineering and 15 value analysis. Discuss the impacts of value engineering on profit.

Q8. Write short notes:

(1) Product life cycle costing.

(2) Cost of Loss Opportunities.