VI Semester B.Com. Examination, April/May 2015
(Semester Scheme) (Fresh) (2014 – 15 & Onwards)
COMMERCE
Paper – 6.6 : Elective Paper – IV
Accounting for Business Decisions and Reporting

Time : 3 Hours  Max. Marks : 100

Instruction : Answer should be written either completely in English or Kannada.

SECTION – A

Answer any ten of the following sub-questions. Each sub question carries two marks.
(2x10=20)

1. a) What is Break-even Point ?
   b) What are variances ?
   c) What is contribution ?
   d) Define ‘standard costing’.
   e) State two objectives of budgetary control.
   f) What is flexible budget ?
   g) Give the meaning of IFRS.
   h) Sales ₹ 2,00,000, Fixed cost ₹ 40,000, Profit ₹ 20,000 calculate variable cost.
   i) Give the meaning of corporate financial reporting.
   j) Give the expansion of IASB and IFRIC.
   k) What is financial statements ?
   l) Mention any four steps involved in standard costing.

SECTION – B

Answer any four of the following questions. Each question carries eight marks.
(8x4=32)

2. Mention the differences between US GAAP and Indian GAAP.

3. Explain the objectives of Corporate Financial Reporting.
4. The following information is obtained from a standard cost card:
   Labour rate – ₹ 1.80 per hour
   Hours – 4 hours per unit
   Actual production data are:
   Units produced – 400 units
   Labour rate – ₹ 1.90 per hour
   Hours worked – 1,500
   Calculate:
   a) Labour cost variance
   b) Labour rate variance and
   c) Labour efficiency variance.

5. Following data are available from the records of a company
   • Sales ₹ 1,20,000
   • Variable cost ₹ 60,000
   • Fixed cost ₹ 30,000
   Calculate: P/V Ratio, Break even point and margin of safety at this level.

6. Prepare a cash budget for two months commencing 1st June, when the bank balance was ₹ 1,00,000.

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>Purchases</th>
<th>Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>80,000</td>
<td>41,000</td>
<td>5,600</td>
</tr>
<tr>
<td>May</td>
<td>76,000</td>
<td>40,000</td>
<td>5,400</td>
</tr>
<tr>
<td>June</td>
<td>78,000</td>
<td>38,000</td>
<td>5,400</td>
</tr>
<tr>
<td>July</td>
<td>90,000</td>
<td>37,000</td>
<td>4,800</td>
</tr>
</tbody>
</table>

   • 20% of the sales are on cash basis, customers are allowed 2 months credit.
   • Suppliers allow one month credit.
   • Lag in payment of wages – 1 month.
SECTION – C

Answer any three of the following questions. Each question carries sixteen marks. (16×3 = 48)

7. Nischay Ltd. supplies you the following data for the year ending 31st December 2014.

Production – 1,100 units
Sales – 1,000 units
There was no opening stock.
Variable manufacturing cost per unit ₹ 7
Fixed manufacturing overhead (total) ₹ 2,200
Variable selling and administration overhead per unit ₹ 0.50
Fixed selling and administration overhead (total) ₹ 400
Selling price per unit ₹ 15
You are required to prepare income statement under
a) Absorption costing method and
b) Marginal costing method.

8. The standard mix to produce one unit of product is as follows
   • Material A 60 units @ ₹ 15 per unit
   • Material B 80 units @ ₹ 20 per unit
   • Material C 100 units @ ₹ 25 per unit

During the month of April ten units were actually produced and consumption was as follows:
   • Material A 640 units @ ₹ 17.50 per unit
   • Material B 950 units @ ₹ 18.00 per unit
   • Material C 870 units @ ₹ 27.50 per unit

Calculate:
a) Material cost variance
b) Material price variance
c) Material usage variance.
9. A manufacturing company has a production department, the expenses for production of 10,000 (50% level of activity) units for a period are furnished below:

<table>
<thead>
<tr>
<th>Per unit</th>
<th>₹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>40</td>
</tr>
<tr>
<td>Wages</td>
<td>20</td>
</tr>
<tr>
<td>Manufacturing expenses (40% fixed)</td>
<td>10</td>
</tr>
<tr>
<td>Administration expenses (all fixed)</td>
<td>5</td>
</tr>
<tr>
<td>Selling expenses (60% fixed)</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>80</strong></td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td><strong>20</strong></td>
</tr>
<tr>
<td><strong>Selling price</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Prepare a flexible budget for 60% and 90% levels of activity. It is expected that the present unit selling price will remain constant upto 60% activity beyond which a 5% reduction is contemplated upto 90% activity levels.

10. The operating results of a company for the last two years are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31-03-2014</th>
<th>31-03-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>₹ 2,70,000</td>
<td>₹ 3,00,000</td>
</tr>
<tr>
<td>Profit</td>
<td>₹ 6,000</td>
<td>₹ 15,000</td>
</tr>
</tbody>
</table>

Calculate:

a) P/V Ratio
b) Fixed cost
c) Sales to make ₹ 1,00,000 profit
d) B.E.P.
e) Margin of safety at a profit of ₹ 24,000
f) Profit earned at ₹ 5,00,000 sales.