M.Com. (Sem-I) Dec-2023

(2.30 Hours) **[Total Marks : 75]**

N.B. : (1) All the questions are compulsory.
(2) Each Question carrying 15 marks.
(3) Working notes should form the part of your answer.
(4) Use of simple calculator is allowed.

[15]

Q.1 Company X and Company Y , both under the same management , makes and sells the same type of product. This budgeted Profit and loss Accounts for January -June 2021 are as under:

	Company 'X'		Company 'Y'	
Particulars	Rs.	Rs.	Rs.	Rs.
Sales		6,00,000		6,00,000
Less:VC	4,80,000		4,00,000	
FC	60,000	5,40,000	1,40,000	5,40,000
Profit		60,000		60,000

You are required to **Calculate:**
(a) The break-even point for each company.
(b) The sales volume at which each of the two companies with profit of Rs. 20,000.
(c) Margin of safety for both the companies.

OR

[15]

Q.1 A company produces a single product which is sold by it presently in the domestic market at Rs. 75 per unit. The present production and sales is 40,000 units per month representing 50 % of the capacity available. The cost data of the product are as under:
Variable costs per unit Rs. 50
Fixed costs per month Rs. 10 lakhs
To improve the profitability, the management has **3 proposals** on hand as under :
(a) to accept an export supply order for 30,000 units per month at a reduced price of Rs. 60 per units, incurring additional variable costs of Rs. 5 per unit towards export, packing, duties etc.
(b) to increase the domestic market sales by selling to a domestic chain stores 30,000 units at Rs. 55 per unit, retaining the existing sales at the existing price.
(c) to reduce the selling price for the increased domestic sales as advised by the sales department as under:
Produce selling price per unit by Increase in sales expected

Rs.	(in units)
5	10,000
8	30,000
11	35,000

Prepare a table to present the results of the above proposals and give your comments and advice on the proposals

[15]

Q.2 Following are the information given by an owner of a hotel. You are requested to advice him that what rent should be charge from his customers per day so that he is able to earn 25 % on cost other than interest.

1) Staff salaries Rs. 80,000 per annum
2) Room attendant's salary Rs. 2 per day. The salary is paid on daily basis and services of room attendant are needed only when the room is occupied. There is one room attendant for one room.
3) Lighting, heating and power. The normal lighting expenses for a room if it is occupied for the whole month is Rs. 50. Power is used only in winter and normal charge per month if occupied for a room is Rs. 20.
4) Repairs to building Rs. 10,000 per annum
5) Linen etc. Rs. 4,800 per annum
6) Sundries Rs. 6,600 per annum
7) Interior decoration and furnishing Rs. 10,000 annually
8) Cost of building Rs. 4,00,000; rate of depreciation 5 %
9) Other equipment Rs. 1,00,000; rate of depreciation 10 %
10)Interest @ 5% may be charged on its investment of Rs. 5,00,000 in the building and equipment
11)There are 100 rooms in the hotel and 80 % of the rooms are normally occupied in summer and 30 % of the rooms are busy in winter. You may assume that period of summer and winter is six month each. Normal days in a month may be assumed to be 30.

OR

[15]

Q.2 A manufacturing company is currently working at 50% capacity and produces 10000 units at a cost of Rs.180 per unit as per the following details.

Material Rs.100
Labour Rs.30
Factory overheads Rs.30 (40% fixed)
Administrative overheads Rs.20 (50% fixed)
Total cost per unit Rs.180

The selling price per unit at present is Rs.200. At 60% working, material cost per unit increased by 2% and selling price per unit falls by 2%. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%.

Prepare a flexible budget to show the profits/losses at 50%,60% and 80% capacity utilization.

[15]

Q.3 From the following information about sales calculate:

A) Total sales variance B) Sales price variance C) Sales volume variance D) Sales mix variance E) Sales quantity variance

Standard

Product	Quantity	Selling price per unit	Rs
A	5000	5	25000
B	4000	6	24000
C	3000	7	21000
Total	12000		70000

Actual

Product	Quantity	Selling price per unit	Rs
A	6000	6	36000
B	5000	5	25000
C	4000	8	32000
Total	15000		93000

OR

Q.3 **[15]**

AB LTD manufactures a costing the standards of its are given as under:

	Composition	Standard price
Raw material P	75%	Rs.80Per kg.
Raw material S	25%	Rs.20 per kg

Standard yield is expected to be 100%i.e. an total input of 100kg of raw material should give 100 kgs of costing.

The actual data for the given period are as follows:

a) Output obtained 120 Kgs.

b) Input of raw material :

Raw material P. . . . . 112 Kgs. at actual price of Rs. 85 per Kg.

Raw material S. . . . . . 28 Kgs. at actual price of Rs. 15 per Kg.

Calculate the material cost variances.

Q.4(a) Select the correct answer in each of the following **[5]**

i. Measurable value of an alternative use of resources is_____

(a) Sunk cost

(b) Imputed cost

(c) Opportunity cost

(d) Differential cost

ii. Fixed overhead capacity variance arises due to difference between capacity utilized and______
(a)Spare
(b)Excess
(c)Fixed
(d)Planned

iii. Cinema house must adopt
(a)Operating costing
(b)Job costing
(c)Batch costing
(d)Contract costing

iv. The amount of work achievable in an hour, at standard efficiency levels is __
(a)an ideal standard
(b)the direct labour usage per hour
(c)a standard hour
(d)the direct labour efficiency variance

v. Which one of the following items would not be included in a cash budget?
(a)Capital repayment of loans
(b)Depreciation changes
(c)Dividend payments
(d)Proceeds of sale of fixed assets

(b) State whether following statement is true or false **[5]**

i. Budget is a statement of the policy to be pursued for the purpose pursued for the purpose of attaining a given objective.
ii. Overhead variance is nothing but the variation in absorption or recovery of overheads.
iii. Under absorption costing collection and presentation of cost data is very useful for decision making.
iv. Marginal costing not a distinct method of costing like job costing or process costing.
v. CVP Analysis is an important tool of profit planning

(c) Match the following **[5]**

1	P/V Ratio	A	(FC/Contribution per unit)×sales
2	Break-even point	B	(Contribution /sales)×100
3	Material usage variance	C	standard price (revised standard quantity– actual quantity)
4	Material mix variance	D	standard price (actual output – standard output)
5	Material yield variance	E	standard price (standard quantity – actual quantity)

Q.5 Short notes (Any 3 Out of 5) **[15]**

1. Difference between forecast and budget
2. Benefits of Standard costing
3. Limitations of absorption costing
4. Absorption costing V/s Marginal costing
5. Flexible budget

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