



Name : .....

Roll No. : .....

Invigilator's Signature : .....

**CS/MBA/SEM-4-PT/MB-301/2013**

**2013**

**MANAGEMENT ACCOUNTING**

*Time Allotted : 3 Hours*

*Full Marks : 70*

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words as far as practicable.*

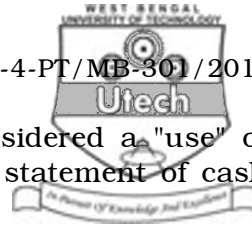
**GROUP – A**

**( Multiple Choice Type Questions )**

1. Choose the correct answers for the following :  $10 \times 1 = 10$ 
  - i) Management accounting is said to meet
    - a) the regulatory requirements of the organization
    - b) the internal accounting needs of the organization
    - c) the external accounting needs of the organization
    - d) the needs of laws that govern company financial reporting.
  - ii) The salary of the Vice-President of finance would be considered as
    - a) Manufacturing cost
    - b) Product cost
    - c) Administrative cost
    - d) Selling expense.



- iii) Costs those are always relevant in decision-making are
- a) Avoidable costs
  - b) Fixed costs
  - c) Sunk costs
  - d) Variable costs.
- iv) All of the following are examples of batch-level activities *except*
- a) Purchase order processing
  - b) Setting up equipment
  - c) The clerical activity associated with processing purchase orders to produce an order for a standard product
  - d) Worker's recreational facilities.
- v) Which costs will change with an increase in activity within the relevant range ?
- a) Total fixed cost and total variable cost
  - b) Per unit fixed cost and total variable cost
  - c) Per unit variable cost and per unit fixed cost
  - d) Per unit fixed cost and total fixed cost.
- vi) The budget or schedule that provides necessary input data for the direct materials budget is the
- a) Cash budget
  - b) Production budget
  - c) Raw materials purchases budget
  - d) Schedule of cash collections.
- vii) A major weakness of static budget is that
- a) they are geared only to a single level of activity
  - b) they cannot be used to assess whether variable costs are under control
  - c) they force the manager to compare actual costs at one level of activity to budgeted costs at a different level of activity.
  - d) all of these.



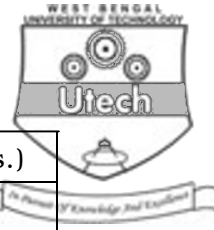
- viii) Which of the following would be considered a "use" of cash for purposes of constructing a statement of cash flows ?
- An increase in accounts payable
  - An increase in accrued liabilities
  - An increase in accumulated depreciation
  - An increase in prepaid expense.
- ix) When using the indirect method to prepare the statement of cash flows, Depreciation Expense should be presented as
- addition to net income
  - cash flow from financing activities
  - cash flow from investing activities
  - deduction from net income
  - investing and financing activity not affecting cash.
- x) On a break-even chart, which of the following indicates the point where a business breaks even ?
- Where the variable costs line crosses the fixed costs line
  - Where the fixed costs line crosses the sales line
  - Where the sales line crosses the total costs line
  - Where the total costs line crosses the fixed costs line.

**GROUP – B**

**( Short Answer Type Questions )**

Answer any *three* of the following.  $3 \times 5 = 15$

2. "Management Accounting is a mid-way between financial accounting and cost accounting." Elucidate.



3.

	Sales (Rs.)	Profit (Rs.)
Period 1	10,000	2,000
Period 2	15,000	4,000

You are required to calculate :

- a) P/V ratio
  - b) Fixed Cost
  - c) Break-even sales value
  - d) Sales to earn a profit of Rs. 3,000
  - e) Profit when sales are Rs. 8,000.
4. Selected year-end data for the Telbourne Company are presented below :

Acid-test ratio	2·5 to 1
Cost of goods sold	Rs. 10,00,000
Current liabilities	Rs. 12,00,000
Current ratio	3·0 to 1

The company has no prepaid expenses and inventories remained unchanged during the year. Based on these data, find the company's inventory turnover ratio.

5. Explain the concept of 'equivalent units'.
6. If a company sells more units than it produces, profits reported by absorption and variable costing will be different. Why ?

**GROUP – C****( Long Answer Type Questions )**Answer any *three* of the following.  $3 \times 15 = 45$ 

7. Goldstone Ltd. has given the following particulars. You are required to prepare a cash budget for three months ending 31st December, 2008.

<b>Months</b>	<b>Sales (Rs.)</b>	<b>Materials (Rs.)</b>	<b>Wages (Rs.)</b>	<b>Overheads (Rs.)</b>
August	40,000	20,400	7,600	3,800
September	42,000	20,000	7,600	4,200
October	46,000	19,600	8,000	4,600
November	50,000	20,000	8,400	4,800
December	60,000	21,600	9,000	5,000

Credit terms are :

- (i) 10% sales are on cash basis. 50% of the credit sales are collected next month and the balance in the following month.
- (ii) Creditors for materials – 2 months.
- (iii) Creditors for wages – 0.2 month
- (iv) Creditors for Overheads – 0.5 month
- (v) Cash balance on 1st October, 2008 is expected to be Rs. 8,000
- (vi) Machinery was installed in August, 2008 at a cost of Rs. 1,00,000. EMI of Rs. 5,000 for the same is payable from October onwards.
- (vii) Dividend @ 10% on pref. share capital of Rs. 3,00,000 to be paid on 1st December, 2008.
- (viii) Rs. 2,00,000 as advance for sale of vehicle to be received in December, 2008.
- (ix) Advance income tax to be paid in December Rs. 5,000.



8. a) Distinguish between operating, financing and investing cashflows.
- b) The summarized balance sheets of XYZ Ltd. as at 31st December 2011 and 2012 are given below :

<b>Liabilities</b>	<b>2011</b>	<b>2012</b>
Share capital	4,50,000	4,50,000
General Reserve	3,00,000	3,10,000
Profit and Loss account	56,000	68,000
Creditors	1,68,000	1,34,000
Provision for tax	75,000	10,000
Mortgage loan	---	2,70,000
	<b>10,49,000</b>	<b>12,42,000</b>
<b>Assets</b>		
Fixed assets	4,00,000	3,20,000
Investment	50,000	60,000
Stock	2,40,000	2,10,000
Debtors	2,10,000	4,55,000
Bank	1,49,000	1,97,000
	10,49,000	12,42,000

Additional information :

- (i) Investments costing Rs. 8,000 were sold during the year 2002 for Rs. 8,500.
- (ii) Provision for tax made during the year was Rs. 9,000.
- (iii) During the year, part of the fixed assets costing Rs. 10,000 was sold for Rs. 12,000 and the profit was included in profit and loss account.
- (iv) Dividend paid during the year amounted to Rs. 40,000.

You are required to prepare a cashflow statement.

9. a) What decision criteria are important for short run decisions ? Distinguish between 'sunk' and 'avoidable' costs.



- b) Windware and Co. manufactures fancy bath towels in Bangalore, Karnataka. The plant has a production capacity of 44,000 towels each month. Current monthly production is 30,000 towels. The assumption is made that costs can be classified as either variable with respect to units of output or fixed.

	<b>Variable Costs Per Unit</b>	<b>Fixed Costs Per Unit</b>
Direct Materials	Rs. 6.50	Rs. 0
Direct labour	Rs. 0.50	Rs. 1.50
Manufacturing cost	Rs. 1.50	Rs. 3.50
Total	Rs. 8.50	Rs. 5.00

Total fixed direct manufacturing labour amounts to Rs. 45,000. Total fixed overhead is Rs. 1,05,000. Marketing costs per unit are Rs. 7 ( Rs. 5 of which is variable ). What is the full cost per towel ? Indian Railway offered to buy 5,000 towels from Windware and Co. at Rs. 11.50 per towel for a total of Rs. 57,500. Should Windware and Co. accept this order ?

10. a) Write a note on joint products and by-products.  
 b) Discuss the concept of full cost pricing and point out its limitations.  
 c) What are the different features of process costing ?
11. Write short notes on any *three* of the following :
- a) Batch costing  
 b) Total Cost Management  
 c) Responsibility Accounting  
 d) Differential pricing.