	/ Uneah
Name:	
Roll No. :	A farm of Knowledge and Explanat
Invigilator's Signature :	

# CS/MBA(New)/SEM-4 (PT)/MB-301/2011 2011

# 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 alternatives for any ten of the following:

 $10 \times 1 = 10$ 

- i) Combination of financial accounting and cost accounting is
  - a) management accounting
  - b) integrated accounting
  - c) social accounting
  - d) none of these.
- ii) Margin of safety is referred to as
  - a) excess of actual sales over fixed expenses
  - b) excess of actual sales over variable expenses
  - c) excess of actual sales over break-even sales
  - d) excess of budgeted sales over fixed cost.

25016 (MBA)

[ Turn over

### CS/MBA(New)/SEM-4 (PT)/MB-301/2011

- iii) The difference between the standard hours for the actual output and actual hour is
  - a) labour rate variance
  - b) overhead cost variance
  - c) labour efficiency variance
  - d) overhead volume variance.
- iv) What cost is treated as product cost under marginal cost?
  - a) Only direct cost
  - b) Only variable production cost
  - c) Only variable cost
  - d) All variable costs and fixed production cost.
- v) If the total cost is Rs. 40,000 and profit is 20% of sales, then the profit will be
  - a) Rs. 6,000
- b) Rs. 10,000
- c) Rs. 12,000
- d) Rs. 8,000.
- vi) Which of the following represents cash from operations?
  - a) Net profit + non-cash expenses
  - b) Net profit + decrease in CA
  - c) Net profit + decrease in CL
  - d) Trading profit.
- vii) Return on Investment and Return on Equity are exactly 0.25. This indicates that
  - a) the firm has no debt in their capital structure
  - b) the firm does not pay income taxes
  - c) both (a) and (b)
  - d) none of these.

- viii) Using absorption costing, unit cost of product includes which of the following combinations of costs?
  - a) Direct materials, direct labour and fixed overhead
  - b) Direct materials, direct labour and variable overhead
  - c) Direct materials, direct labour, variable overhead and fixed overhead
  - d) Only direct materials and direct labour.
- ix) The cost expended in the past that cannot be retrieved on product or service is
  - a) Relevant cost
- b) Sunk cost
- c) Product cost
- d) Irrelevant cost.
- x) Complete the following table :

	Per unit	Total
Fixed cost	Increase	Constant
Variable cost		
Total cost	Increase	Decrease

- a) constant, decrease
- b) decrease, decrease
- c) increase, increase
- d) increase, decrease.
- xi) Which of the following change(s) does/ do not appear in a cash flow statement?
  - a) Issue of equity shares
  - b) Conversion of all FCDs into equity shares
  - c) Bonus issue of equity shares
  - d) Both (b) and (c).

#### **GROUP - B**

# (Short Answer Type Questions)

Answer any three of the following.



- 2. Distinguish between Financial Accounting and Management Accounting.
- 3. Compare and contrast between budgetary control and standard costing.
- 4. State the relationship between Variable Costing and Absorption Costing.
- 5. State the major decisions taken from finanacial statement analysis.
- 6. Distinguish between job costing and processs costing.

#### GROUP - C

## (Long Answer Type Questions)

Answer any three of the following.

 $3 \times 15 = 45$ 

- 7. a) Write with examples the concept of Horizontal Analysis and Vertical Analysis. 5
  - b) From the following information supplied by Fruity Co. Ltd., prepare a Proprietors Fund Statement as on 31st December, 2009:

Current Ratio 1.6 Fixed Assets to Net

Worth 0.75

Liquid Ratio 1.15 Reserve to Net Worth 1/6

Gross Profit Margin 25% Fixed Assets Turnover

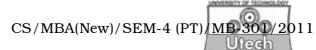
Ratio 1.5

Stock turnover ratio 6 times Debtors velocity 3 months

Capital Gearning Ratio 3.8 Sales for the year

Rs. 3,60,000

[ (Equity share capital + Reserves)/Pref. Share Capital ]



8. Prepare a cash flow statement as per AS-3 of Symphony Co. The following information is obtained from the Annual Report for the month ending March 31, 2011:

# Balance Sheet of Symphony Co. Ltd. (Rs. in Crores)

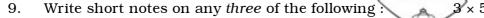
Liabilities	31.03.2010	31.03.2011	Assests	31.03.2010	31.03.2011
Equity Share			Fixed Assets		
Capital	300	450	(Net)	400	580
10% Red Pref.			Investments	60	40
Share Capital	100	50			
Reserve &			Stock	65	275
	35	50			
Profit & Loss			Debtors	240	160
	115	250			
Term Loan	125		Bills	45	35
			Receivables		
Sundry			Cash & Bank	48	60
	125	175			
Other Current			Prepaid		
	20	75		12	6
Proposed			Preliminary		
	30	45		20	14
Provision for					
	40	75			
	890	1170		890	1170

## Additional Information:

- a) On 31.03.2010 accumulated depreciation on fixed assets amounted to Rs. 140 crores and on 31.03.2011 it was Rs. 165 crores.
- b) A plant costing Rs. 50 crores, accumulated depreciation theron being Rs. 20 crores was discarded and written off.
- c) An old furniture costing Rs. 10 crores with an accumulated depreciation of Rs. 6 crores was sold for Rs. 6 crores.
- d) Tax paid during the year 2010-2011 was Rs. 35 crores.

25016 (MBA)

## CS/MBA(New)/SEM-4 (PT)/MB-301/2011



- a) Activity Based Costing
- b) Cash Flow Statement
- c) Total Cost Management Principles and Implementation
- d) Cost-Volume-Profit Analysis
- e) Relevant Costs and Revenues
- f) Zero Based Budgeting.
- 10. Product *XYZ* is obtained after it passes through three distinct processes. The following information is obtained from the accounts for the month ending March 31, 2010:

	(Rs.)			
Items	Total	Process-A	Process-B	Process-C
Direct Materials	7,542	2,600	1,980	2,962
Direct Wages	9,000	2,000	3,000	4,000
Production Overhead	9,000	_	_	_

1,000 units @ Rs. 3 each were introduced to Process-A. There was no stock, material or work-in-progress at the beginning or end of the period. Production overheads are recovered on the basis of direct wages.

The following additional data is obtained:

Process	Output during	% of Normal	Value of scrap	
	the month (units)	loss to input	per unit (Rs.)	
Process-A	950	5%	2	
Process-B	840	10%	4	
Process-C	750	15%	5	

You are rquired to prepare Processes Accounts, Abnormal Gain/Loss Account and Normal Loss Account.

11. State the significance of contribution and margin of safety Particulars of a manufacturing firm is given below:

Fixed cost Rs. 1,20,000
Variable cost Rs. 3 per unit
Selling price Rs. 7 per unit
Output 50000 units

#### Determine:

- (i) Sales at B.E.P. and margin of safety
- (ii) The profit for each of the following situations with the above data
  - (a) with a 10% increase in output and sales
  - (b) with a 10% increase in selling price
  - (c) with a 10% decrease in fixed cost & 5% decrease in variable cost, is effected.
- 12. From the following data, prepare a flexible budget of S. Ltd. producing a single product of 80% and 100% capacity level.

The breakup of existing unit cost at 70% working level is :

Raw materials Rs. 8
Wages Rs. 4
Variable overhead Rs. 10

Besides the above, the semi-variable costs for producing 14,000 units are:

Indirect material Rs. 47,000; Indirect labour Rs. 31,200; Repairs Rs. 24,000.

The variable costs per unit included in semi-variable costs are :

Indirect material Re. 1.00; Indirect labour Rs. 1.50; Repairs Rs. 1.25.

The fixed costs are:

Factory overhead Rs. 26,000

Administration overhead Rs. 46,000

Selling & distribution overhead Rs. 42,000 (Re. 1 per unit variable )

Present output 14,000 units

Selling price per unit Rs. 38.