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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 × 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.

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. $3 \times 5 = 15$

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 : 10

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

9. Write short notes on any *three* of the following : 3 × 5

   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 the month (units)***	***% of Normal loss to input***	***Value of scrap 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.

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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.