

**ENGINEERING & MANAGEMENT EXAMINATIONS, DECEMBER - 2007****MANAGEMENT ACCOUNTING****SEMESTER - 3**

Time : 3 Hours ]

[ Full Marks : 70

**GROUP - A****( Multiple Choice Type Questions )**1. Choose the correct alternatives for any ten of the following : 10 × 1 = 10

i) Acid-test ratio =

- a) Liquid assets / projected daily cash requirement
- b) Total debt / total assets
- c) Cost of goods sold / average inventory
- d) Quick assets / current liabilities.

ii) Which is not a part of expenses ratio ?

- a) Operating ratio
- b) Administration expenses ratio
- c) Interest coverage ratio
- d) Selling expenses ratio.

iii) Which is not a part of assets turnover ratio ?

- a) Capital turnover
- b) Cost of goods sold ratio
- c) Current assets turnover
- d) Working capital turnover ratio.



iv) Full form of BEP is

- |                        |                        |                          |
|------------------------|------------------------|--------------------------|
| a) Break-Even Position | b) Break-Even Point    |                          |
| c) Break-Even Analysis | d) Break-Even Portion. | <input type="checkbox"/> |

v) Contribution =

- |  |                          |
|--|--------------------------|
| a) Sales $\times$ P/V ratio  |                          |
| b) Fixed Cost + Variable Cost  |                          |
| c) $[(\text{Sales} - \text{Variable Cost}) / \text{sales}] \times 100$ |                          |
| d) Variable Cost + Fixed Expenses + Profit.                            | <input type="checkbox"/> |

vi) Margin of Safety =

- |  |                           |                          |
|--|---------------------------|--------------------------|
| a) $(\text{Contribution} / \text{Sales}) \times 100$ | b) Fixed cost + Profit    |                          |
| c) Profit / P/V ratio                                | d) Sales - Variable cost. | <input type="checkbox"/> |

vii) EOQ stands for

- |                         |                             |                          |
|-------------------------|-----------------------------|--------------------------|
| a) Exact Offer Quantity | b) Extra Order Quantity     |                          |
| c) Easy Order Quantity  | d) Economic Order Quantity. | <input type="checkbox"/> |

viii) Which is not a method of inventory costing ?

- |                        |                         |                          |
|------------------------|-------------------------|--------------------------|
| a) First-in first-out  | b) Economic cost method |                          |
| c) Average cost method | d) Last-in first-out.   | <input type="checkbox"/> |

ix) Working Capital =

- |  |                          |
|--|--------------------------|
| a) Fixed Assets + Current Assets - Current Liabilities |                          |
| b) Fixed assets - Current Assets                       |                          |
| c) Capital - Current Liabilities                       |                          |
| d) Current Assets - Current Liabilities.               | <input type="checkbox"/> |



x) Which is not under factory overhead costs ?

- |                                  |                            |                          |
|----------------------------------|----------------------------|--------------------------|
| a) Depreciation of factory plant | b) Indirect materials      |                          |
| c) Office rent                   | d) Factory power and fuel. | <input type="checkbox"/> |

xi) Single entry system records

- |                                   |                               |                          |
|-----------------------------------|-------------------------------|--------------------------|
| a) only one aspect of transaction | b) two aspects of transaction |                          |
| c) both (a) and (b)               | d) none of these.             | <input type="checkbox"/> |

**GROUP - B**

**( Short Answer Type Questions )**

Answer any *three* of the following.

3 × 5 = 15

2. What is management accounting ? State the difference between cost accounting and management accounting. 2 + 3
3. What are tangible and intangible assets ? State the difference with example. 3 + 2
4. a) What do you understand by the term 'Break-even analysis' ?  
 b) A manufacturing unit produces 900 units of Product A annually. The marginal cost of the product is Rs. 960 and the product is sold for Rs. 1200. Fixed costs incurred by the company is Rs. 56,000 annually. Calculate P/V ratio. What is the break-even point in terms of sales value and output ? 2 + 3
5. Distinguish between profit and loss account and Balance Sheet.
6. "A trial balance is not a conclusive proof of accuracy of entries in the books of accounts". Explain the statement.



**GROUP - C**

**( Long Answer Type Questions )**

Answer any *three* questions.

3 × 15 = 45

7. Write notes on any *three* of the following :

3 × 5

- a) Accounting concepts and principles
- b) Ratio analysis
- c) Difference between journal and ledger
- d) Golden rule of accounts.

8. State the importance of acid test ratio and debt equity ratio in financial analysis with examples.

9. a) What is a 'Cash Budget' ? What are its advantages ?

3 + 4

b) The manager of a repairs and maintenance department in response to a request, submitted the following budget estimates for his departments that are to be used to construct a flexible budget to be used during the coming budget year :

<b>Details of cost</b>	<b>Planned at 6000</b>	<b>At 9000</b>
	<b>Direct Repair Hours Rs.</b>	<b>Direct Repair Hours Rs.</b>
Employee Salaries	45,000	45,000
Indirect repair materials	42,200	60,300
Misc. costs, etc.	13,200	16,800

i) Prepare a flexible budget for the department up to activity level of 10,000 repair hours ( use increments of 1000 ).

ii) What would be the budget allowance at 7,500 direct repair hours ?

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10. a) What is Absorption Costing ? Write down the Limitations of Absorption costing ? 3 + 4

b) From the information given below, you are required to prepare profit statements for the year based on (i) Absorption costing, (ii) Marginal costing. 4 + 4

XYZ Pvt. Ltd. produces a single product, which is bottled and sold in cases. The normal annual level of operations, on which the production fixed overhead absorption is based, is 18,000 cases. Data for the last accounting year were as follows :

Production 20,000 cases, sales 16,000 cases

	<i>Rs. per case</i>
Selling Price	35
<i>Production costs :</i>	
Direct material	7
Direct labour	6
Variable overhead	4
Fixed overhead ( budgeted and incurred )	54,000
<i>Selling and administration costs :</i>	
Fixed	Rs. 35,000
Variable	15% on sales revenue.

There was no opening stock of finished goods and the work-in-progress stock may be assumed the same at the end of the year as it was at the beginning of the year.



11. a) What do you understand by CVP analysis ? What is the importance of this concept ? 3 + 5

b) The sales and profit during the two periods are given as follows :

Year	Sales ( in Rs. )	Profits ( in Rs. )
2006	20,00,000	2,00,000
2007	30,00,000	4,00,000

Calculate :

- i) P/V ratio,
- ii) Fixed cost
- iii) BEP
- iv) Sales to earn a profit of Rs. 5,00,000
- v) Profit when sales is Rs. 40,00,000
- vi) Margin of safety at a profit of Rs. 4,50,000
- vii) Variable cost in 2007.

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END