Reg. No. : ....

Code No. : 32048 E **Sub. Code : AMCO 62**

B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2023

Sixth Semester

Commerce – Core

MANAGEMENT ACCOUNTING

(For those who joined in July 2020 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Management accounting is also known as

   (a) Price level accounting

   (b) Historical cost accounting

   (c) Financial accounting

   (d) Decision accounting

2. Financial statements are meaningful and useful only when they are

(a) Verified

(b) Presented to owners

(c) Analysed and interpreted

(d) Published

3. Which of the following will result into application of funds?

(a) sale of plant

(b) issue of share capital

(c) purchase of land

(d) payment to creditors

4. Cash flows from Financing activities arise from

(a) Cash flows from purchase and sale of goods

(b) Cash flows from issue and redemption of shares and debentures and long term borrowings

(c) Cash flows on account of short term investments

(d) None of above

5. Sales Budget is

(a) Budget of output to be sold

(b) Budget for selling expenses

(c) Budget of Revenue and expenses

(d) a list of incentives to salesmen

6. Consumption of Raw material is based on

(a) Production

(b) Sales

(c) Cash

(d) Market

7. Material cost variance is a sub-variance of

(a) change in material mix

(b) change in price of material

(c) change in quantity used

(d) all of the above

8. Sales Rs. 25,000; variable cost Rs. 15,000; Fixed cost Rs. 4,000; P/V Ratio is

(a) 40% (b) 80%

(c) 15% (d) 30%

9. The cash inflows on account of operations are presumed to have been reinvested at the cut-off rate in case of

(a) accounting rate of return

(b) pay-back method

(c) discounted cash flow method

(d) none of these

10. A machine would cost Rs. 1,00,000 and would fetch Rs. 20,000 in the first year, Rs. 40,000 in second year, and Rs. 40,000 in the third year. Hence, pay-back period would be

(a) 5 years (b) 2½ years

(c) 3 years (d) none of these

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) List out the objectives of Management Accounting.

Or

(b) Calculate the trend percentages from the following data taking 2012 as the base year.

Current Assets	As at 31st March 2012 Rs.	2013 Rs.	2014 Rs.	2015 Rs.
Cash at bank	20,000	24,000	26,000	30,000
Book debts	30,000	36,000	50,000	60,000
Stock	40,000	60,000	80,000	1,00,000
Bill receivable	10,000	15,000	20,000	30,000

12. (a) Following are the extracts from the balance sheet of a company as on 31st March 2015 and 2016. You are required to calculate funds from operation :

	31.03.2015 Rs.	31.03.2016 Rs.
Profit and Loss Appropriate	30,000	40,000
General reserve	20,000	25,000
Goodwill	10,000	5,000
Preliminary expenses	6,000	4,000
Provision for Depreciation Machinery	10,000	12,000

Or

(b) From the following information, calculate cash flows from financing activities:

	April 1, 2015	March 31, 2016
	Rs.	Rs.
Long-term Loans	2,00,000	2,50,000

During the year, the company repaid a loan of Rs. 1,00,000.

13. (a) A company manufactures two products A and B. A forecast for the number of units to be sold in the first four months of the year is given below:

	Product A (units)	Product B (units)
January	3,000	6,000
February	3,400	6,000
March	4,200	5,200
April	5,000	4,400

It's anticipated that

(i) there will no work-in-progress at the end of any month and

(ii) finished units equal to half the sales for the next month will be in stock at the end of each month (including previous December).

Prepare for the three months endings March 31, a production budget for each month.

Or

(b) Drew a material procurement budget [quantitative] from the following information. Estimated sales of a product 40,000 units. Each unit of the product requires 3 units of material A and 5 units of material B.

Estimated opening balances at the commencement of the next year :

Finished product	5,000 units
Material A	12,000 units
Material B	20,000 units
Materials on order :	
Material A	7,000 units
Material B	11,000 units

The desirable closing balances at the end of the next year :

Finished product	7,000 units
Material A	15,000 units
Material B	25,000 units
Materials on order :	
Material A	8,000 units
Material B	10,000 units.

14. (a) A manufacturing concern which has adopted standard costing furnishes following information:

Standard : Material for 70 kg of finished product : 100 kg

Price of materials – Re. 1 per Kg

Actual : Output - 2,10,000 Kg

Material used – 2,80,000 Kg

Cost of materials – Rs. 2,52,000

Calculate :

(i) Material Usage Variance

(ii) Material Price Variance

(iii) Material Cost Variance.

Or

(b) The following are obtained from the records of a factory:

	Rs.
Sales (4,000 units @ Rs. 25 each)	1,00,000
Variable cost	72,000
Fixed cost	16,800

Calculate:

(i) P/V Ratio

(ii) Break-even sales

(iii) Margin of safety

(iv) What addition unit should be sold to obtain the same amount of profit if the selling price is reduced to Rs.20?

15. (a) Payoff Ltd. is producing articles mostly by manual labour and is considering to replace it by a new machine. There are two alternative models M and N of new machine. Prepare a statement of profitability showing the pay-back period from the following information.

	Machine M	Machine N
Estimated life of machine	4 years	5 years
Cost of machine	Rs. 9,000	Rs. 18,000
Estimated savings in scrap	500	800
Estimated savings in direct wages	6,000	8,000
Additional cost of maintenance	800	1,000
Additional cost of supervision	1,200	1,800

Ignore taxation

Or

(b) Calculate the Average Rate of Return for project' A' and 'B' from the following information:

	Project A	Project B
Investment (Rs.)	25,000	37.500
Expected life (in years)	4	5

net earnings

(after depreciation and taxes):

	Project A	Project B
1st Year	Rs. 2,500	Rs. 3,750
2nd Year	1,875	3,750
3rd Year	1,875	2,500
4th Year	1,250	1,250
5th Year	–	1,250
	7,500	12,500

If the desired rate of return is 12%, which project should be selected.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Differentiate between management accounting and financial accounting.

Or

(b) From the following financial statements of M/s. Western General Ltd. For the year ending 31st March 2016, you are required to calculate the following ratios, gives the formulae and the purpose they serve:

(i) Gross profit ratio

(ii) Proprietary ratio

(iii) Debtors turnover ratio

(iv) Current ratio

(v) Stock turnover ratio

Trading and Profit and Loss a/c

Particulars	Rs.	Particulars	Rs.
To opening stock	43,500	By sales	2,25,000
To purchase	1,83,000	By closing stock	46,500
To gross profit c/d	45,000		
	2,71,500		2,71,500
To sundry expenses	24,000	By gross profit b/d	45,000
To net profit	21,000		
	45,000		45,000

Balance sheet

Liabilities	Rs.	Assets	Rs.
Equity share capital	2,10,000	Fixed assets	1,65,000
General reserve	15,000	Current assets:	
Profit and loss a/c	21,000	Stock	46,500
Bills payable	10,500	Sundry debtors	24,000
Creditors	45,000	Bank deposit	66,000
	3,01,500		3,01,500

17. (a) From the following balance sheets, prepare a sources and application statement.

Liabilities	2015	2016	Assets	2015	2016
	Rs.	Rs.		Rs.	Rs.
Share capital	2,00,000	2,10,000	Fixed assets	3,50,000	4,75,000
Retained earnings	1,60,000	3,00,000	Inventory	1,00,000	95,000

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Premium on shares	–	5,000	Bills Receivable	43,000	50,000
Accumulated depreciation	80,000	1,00,000	Prepaid expenses	4,000	5,000
Debentures	60,000	–	Cash	15,800	10,220
Bills payable	37,800	40,200	Commission on shares	25,000	20,000
	5,37,800	6,55,200		5,37,800	6,55,200

Additional Information :

(i) Depreciation for the year Rs. 20,000

(ii) Income tax paid was Rs. 40,000

(iii) Interim dividend paid during the year was Rs. 20,000

Or

(b) From the following Balance Sheets of Kandan Ltd., as on 31.03.2015 and 2016, you are required to prepare cash flow statement for the year ending 31.03.2016.

Balance Sheets

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General reserve	14,000	18,000	Buildings	40,000	36,000

Liabilities	2015 Rs.	2016 Rs.	Assets	2015 Rs.	2016 Rs.
P & L A/c	16,000	13,000	Plant	37,000	36,000
Creditors	8,000	5,400	Investments	10,000	11,000
Bills payable	1,200	800	Stock	30,000	23,400
Provision for Taxation	16,000	18,000	Bills Receivable	2,000	3,200
			Debtors	18,000	19,000
Doubtful debts	400	600	cash	600	200
			Bank	6,000	15,000
	1,55,600	1,55,800		1,55,600	1,55,800

Additional Information:

(i) Depreciation on plant Rs.4,000.

(ii) Provision for taxation of Rs.19,000 was made during the year 2016.

18. (a) Summarized below are the Income and Expenditure forecasts of XYZ Ltd. for the months of March to August 2016;

Month	Sales (all credit) Rs.	Purchases (all credit) Rs.	Wages Rs.	Manu-facturing expenses Rs.	Office expenses Rs.	Selling expenses Rs.
March	60,000	36,000	9,000	4,000	2,000	4,000
April	62,000	38,000	8,000	3,000	1,500	5,000
May	64,000	33,000	10,000	4,500	2,500	4,500
June	58,000	35,000	8,500	3,500	2,000	3,500
July	56,000	39,000	9,500	4,000	1,000	4,500
August	60,000	34,000	8,000	3,000	1,500	4,500

You are given the following further information :

(i) Plant costing Rs. 16,000 is due for delivery in July payable 10% on delivery and the balance after 3 months.

(ii) Advance tax of Rs. 8,000 is payable in March and June each.

(iii) Period of credit allowed :

(1) By suppliers – 2 months and

(2) To customers – 1 month.

(iv) Lag in payment of manufacturing expenses – 1/2 month.

(v) Lag in payment of all other expenses – 1 month.

You are required to prepare a cash budget for 3 months starting on 1st May 2016, when there was a cash balance of Rs. 8,000.

Or

(b) The expenses for the budgeted production of 10,000 units in a factory are furnished below.

	Per Unit Rs.
Material	70
Variable cost	25

Labour	20
Fixed cost (1,00,000)	10
Variable expenses	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses	5
	155

Prepare a budget for the production of

(i) 6,000 Units

(ii) 8,000 Units.

19. (a) Calculate from the following data:

(i) the material price variances,

(ii) the material mixture variance

(iii) the material yield variance,

(iv) the material usage variance and

(v) the material cost variance.

Material	Standard Price Per ib	Standard Weight per unit of output	Actual Usage output of 36 units Lb	Actual price per ib.
A	Rs.10	2	72	Rs.12
B	1	4	108	1
C	5	3	126	4
		9	306	

Or

(b) The sales turnover and profit during two years were as follows:

Year	Sales Rs.	Profit Rs.
2015	1,50,000	20,000
2016	1,70,000	25,000

You are required to calculate:

(i) The P/V Ratio

(ii) The Break Even Point

(iii) The sales required to earn a profit of Rs.40,000

(iv) The profit made when sales are Rs.2,50,000,

(v) The Margin of safety at a profit of Rs.50,000.

20. (a) The Alpha Co. Ltd. is considering the purchase of a new machine, two alternative machines (A and B) have been suggested. Each having an initial cost of Rs. 4,00,000 and requiring Rs. 20,000 as additional working capital at the end of 1st year. Earnings after taxation are expected to be as follows.

Cash inflows:

Year	Machine A (Rs.)	Machine B (Rs.)
1	40,000	1,20,000
2	1,20,000	1,60,000
3	1,60,000	2,00,000
4	2,40,000	1,20,000
5	1,60,000	80,000

The company has target of return on capital of 10% and on this basis, you are required to compare the profitability of the machines and state which alternative you consider financially preferable.

Note : The following table gives the present values of Rs. 1 due in 'n' number of years:

Year	Present Value at 10%
1	0.91
2	0.83
3	0.75
4	0.68
5	0.62

Or

(b) Orient Trading Ltd, purpose to increase their production. They are willing to purchase a new machine, There are three types in the market. The following are the details regarding them:

	X	Y	Z
	Rs.	Rs.	Rs.
Cost of Machine	17,500	12,500	9,000
Estimated Savings in scrap	400	750	250
Wages per operative	250	300	250
Cost of indirect material	-	400	-
Expected Savings in indirect materials	100	-	250
Additional Cost of maintenance	750	550	500
Operatives not required Nos.	11 Nos.	20 Nos.	9 Nos.
Estimated life of machine	10 years	6 years	5 years

You are required to advise the management which type of the machine is to be purchased.