

Reg. No. :

Code No. : 7453 N Sub. Code : PKCM 11

M.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2020.

First Semester

Commerce – Core

MANAGEMENT ACCOUNTING

(For those who joined in July 2020 only)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer:

1. Management Accounting helps management in
 - (a) Preparation of Final accounts
 - (b) Raising Finance
 - (c) Filling Tax returns
 - (d) Decision making

2. Management Accounting relates to
 - (a) Recording of accounting data
 - (b) Recording of cost data
 - (c) Recording of financial data
 - (d) Presentation and interpretation of accounting data
3. Funds inflow from operations is
 - (a) An internal source of funds
 - (b) An application of funds
 - (c) An External source of funds
 - (d) A non funds item
4. Income from Long term Investment is
 - (a) application of cash
 - (b) source of cash
 - (c) cash inflow from operations
 - (d) none of these
5. Marginal cost is
 - (a) Prime cost
 - (b) Variable cost
 - (c) Works cost
 - (d) Cost of production

6. Break even chart is a chart of
 - (a) Sales
 - (b) Total cost
 - (c) Sales and Total cost
 - (d) Profit
7. Usually standards are set up on the basis of
 - (a) Past performance
 - (b) Ideal performance
 - (c) Normal performance
 - (d) Attainable high performance
8. One of the objectives of standard costing is to
 - (a) promote and measure performance
 - (b) control and curtile costs
 - (c) simplify production operations
 - (d) set cost of production
9. Budgeting is
 - (a) a technique
 - (b) a method of costing
 - (c) maintaining ledger accounts
 - (d) a method of depreciation

- (a) Sales (b) Production
(c) Cash (d) Market

PART B — (5 × 5 = 25 marks)

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

11. (a) What are the objectives of Management Accounting?

Or

- (b) What are the limitations of Management Accounting?
- (a) Prepare a Schedule of changes in working capital from the following Balance sheets:

Balance sheets					
Liabilities	2014	2015	Assets	2014	2015
	Rs.	Rs.		Rs.	Rs.
Share capital	50,000	50,000	Fixed assets	18,000	28,000
10% Debentures	10,000	20,000	Investments:		
Bills payable	18,000	6,000	Non-Trading	10,000	10,000
Outstanding expenses	6,000	9,000	Trading	8,000	9,000
Trade creditors	33,000	40,000	Inventories	12,000	18,000
			Trade debtors	40,000	48,000

Liabilities	2014	2015	Assets	2014	2015
			Accrued interest	4,000	6,000
			Unexpired insurance	–	3,000
			Cash at bank	17,000	2,000
			Cash in hand	8,000	1,000
	<u>1,17,000</u>	<u>1,25,000</u>		<u>1,17,000</u>	<u>1,25,000</u>

Or

- (b) From the following data you are required to calculate the cash from operations:

Funds from operations for the year 2013
Rs. 84,000.

Current assets and liabilities as on 1.1.13 and 31.12.13 were as follows:

	1.1.13 Rs.	31.12.13 Rs.
Trade creditors	1,82,000	1,94,000
Trade debtors	2,75,000	3,15,000
Bills receivable	40,000	35,000
Bills payable	27,000	31,000
Inventories	1,85,000	1,70,000
Trade investments	40,000	70,000
Outstanding expenses	20,000	25,000
Prepaid expenses	5,000	8,000

13. (a) Vasanth Ltd presents the following results for one year. Calculate the P/V Ratio, BEP and Margin of Safety.

	Rs.
Sales	2,00,000
Variable costs	1,20,000
Fixed cost	50,000
Net profit	30,000

Or

- (b) From the following particulars, calculate:
- (i) Break-even point in terms of sales value and in units.
 - (ii) Number of units that must be sold to earn a profit of Rs. 90,000.

	Rs.
Fixed factors overheads cost	60,000
Fixed selling overheads cost	12,000
Variable manufacturing cost	
per unit	12
Variable selling cost per unit	3
Selling price per unit	24

14. (a) Explain the utility of variance analysis.

Or

- (b) The standard estimate for materials to manufacture 1,000 units of a commodity is 400 kgs, at Rs. 2.50 per kg.

When 2,000 units of the commodity are manufactured, it is found that 820 kgs and materials are consumed at Rs. 2.60 per kg. Calculate the material variances.

15. (a) Explain the objectives of Budgetary control.

Or

- (b) State the essentials of successful Budgetary Control.

PART C — (5 × 8 = 40 marks)

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

16. (a) What is management accounting? What are its advantages?

Or

- (b) What are the differences between Management Accounting and Financial Accounting?

17. (a) From the following Balance Sheets make out
 (i) statement of changes in working capital
 (ii) Funds flow statement.

Balance Sheets of Alpha Ltd.

Liabilities	2012	2013	Assets	2012	2013
	Rs.	Rs.		Rs.	Rs.
Equity share capital	3,00,000	4,00,000	Goodwill	1,00,000	80,000
8% Redeemable Pref. Share capital	1,50,000	1,00,000	Land and buildings	2,00,000	1,70,000
Capital reserve	10,000	20,000	Plant	80,000	2,00,000
General reserve	30,000	50,000	Investments	20,000	30,000
Profit and loss A/c	30,000	48,000	Debtors	1,40,000	1,70,000
Prepaid dividend	42,000	50,000	Stocks	77,000	1,09,000
Sundry creditors	25,000	47,000	Bills receivables	20,000	30,000
Bills payable	20,000	16,000	Cash in hand	15,000	10,000
Expenses outstanding	30,000	36,000	Cash at bank	10,000	8,000
Provision for tax	40,000	50,000	Preliminary expenses	15,000	10,000
	<u>6,77,000</u>	<u>8,17,000</u>		<u>6,77,000</u>	<u>8,17,000</u>

Additional Information:

- (1) A piece of land has been sold out in 2013 and the profit on sale has been credited to capital reserve.
- (2) A machine has been sold for Rs. 10,000. The written down value of the machine

was Rs. 12,000. Depreciation of Rs. 10,000 is charged on plant account in 2013.

- (3) Rs. 3,000 by was of dividend on investment is received. It includes Rs. 1,000 from Pre-acquisition profit which has been credited to investment account.
- (4) An interim dividend of Rs. 20,000 has been paid in 2013.

Or

- (b) The Summarised balance sheets of Kandan Ltd., as on 31.12.2001 and 31.12.2002 are as follows:

Liabilities	2001	2002	Assets	2001	2002
	Rs.	Rs.		Rs.	Rs.
Share capital	4,50,000	4,50,000	Fixed assets	4,00,000	3,20,000
General reserve	3,00,000	3,10,000	Investments	50,000	60,000
P and L A/c	56,000	68,000	Stock	2,40,000	2,10,000
Creditors	1,68,000	1,34,000	Debtors	2,10,000	4,55,000
Tax provision	75,000	10,000	Bank	1,49,000	1,97,000
Mortgage loan	—	2,70,000			
	<u>10,49,000</u>	<u>12,42,000</u>		<u>10,49,000</u>	<u>12,42,000</u>

Additional details.

- (i) Investments costing Rs. 8,000 were sold for Rs. 8,500.

(ii) Tax provision 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 P and L Account. You are required to prepare cash flow statement for 2002.

18. (a) The sales turnover and profit during two years were as follows:

Year	Sales Rs.	Profit Rs.
2007	1,40,000	15,000
2008	1,60,000	20,000

Calculate

- (i) P/V ratio
- (ii) Break even point
- (iii) Sales required to earn a profit of Rs. 40,000
- (iv) Fixed Expenses
- (v) Profit when sales are Rs. 1,20,000.

Or

(b) The statement of cost of a machine is as follows:

Rs.

Materials	200
Labour	100
Variables expenses	50
Fixed expenses	75
Total cost	425
Profit	100
Selling price	525

The number of machine sold and made is 10,000

- (i) Find out the break even point.
- (ii) How many machines must be produced and sold if the price is reduced by Rs. 25 to realise the present amount of profit?

19. (a) From the following information compute:

- (i) Material mix variance
- (ii) Material price variance
- (iii) Material usage variance.

Material	Standard Quantity units	Standard unit price Rs.	Total Rs.
A	4	1	4
B	2	2	4

Material	Standard Quantity units	Standard unit price Rs.	Total Rs.
C	2	4	8
	8	7	16

Material	Actuals quantity units	Actual unit price Rs.	Total Rs.
A	2	3.50	7
B	1	2.00	2
C	3	3.00	9
	6	8.50	18

Or

- (b) From the following data provided by Vinal Ltd. for the month of August 2014, calculate (i) Total overhead cost variance (ii) Fixed overhead cost variance and (iii) variable overhead cost variance.

	Budget	Actual
Output in units	30,000	32,500
Fixed overhead (Rs.)	45,000	50,000
Variable overhead (Rs.)	60,000	68,000

20. (a) Draw up a Flexible budget for production at 75% and 100% capacity on the basis of the following data for a 50% activity.

	Per unit (Rs.)
Materials	100
Labour	50
Variable expenses (direct)	10
Administrative expenses (50% fixed)	40,000
Selling and distribution expenses (60% fixed)	50,000
Present production (50% activity)	1,000 units

Or

(b) From the following data forecast the cash position at the end of April, May and June 2008.

Month 2008	Sales Rs.	Purchases Rs.	Wages Rs.	Sales expenses Rs.
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:

Sales at 10% realised in the month of sales.
Balance equally realised in two subsequent months.

Purchases : creditors are paid in the month following the month of supply

Wages : 20% paid in arrears in the following month

Sundry expenses paid in the month itself

Income tax Rs. 20,000 payable in June

Dividend Rs. 12,000 payable in June

Income from investments Rs. 2,000 received half-yearly in March and September. Cash balance on hand as on 1.4.2008 Rs. 40,000.
