B.Com. (Part—III) Semester—VI Examination

MANAGEMENT ACCOUNTING

Time : Three Hours] [Maximum Marks : 80

Note :— All sections are compulsory.

SECTION—A

(Multiple Choice Questions)

1. Function of Management Accountant, who works as business partner comes under category of :
   (a) Asset function (b) Investment function
   (c) Line function (d) Staff function
2. Management Accounting assists the management :
   (a) Only in control (b) Only in direction
   (c) Only in planning (d) In planning, direction and control
3. The use of management accounting is :
   (a) Compulsory (b) Optional
   (c) Legally obligatory (d) None of the above
4. Management Accounting is :
   (a) Subjective (b) Objective
   (c) Both (a) and (b) (d) None of the above
5. What will be the impact on BEP, if variable costs are reduced ?
   (a) Decrease (b) No change
   (c) Increase (d) None of the above
6. Given Fixed Cost is Rs. 1,00,000, selling price per unit is Rs. 10 and variable cost per unit Rs. 6. If fixed cost increase by 10%, B.E.P. will :
   (a) Decrease by 2,500 units (b) No change
   (c) Increase by 2,500 units (d) None of the above
7. Determine contribution if sales is Rs. 80,000 and PVR is 40% :
   (a) Rs. 32,000 (b) Rs. 2,00,000
   (c) Rs. 48,000 (d) None of the above
8. Determine Margin of safety, if profit is Rs. 15,000 and PVR is 40% :
   (a) Rs. 37,500 (b) Rs. 33,000
   (c) Rs. 38,000 (d) Rs. 60,000
9. Operating ratio is calculated by :
   (a) [Operating Cost/Gross Sales] × 100 (b) [Operating Cost/Total Sales] × 100
   (c) [Operating Cost/Net Sales] × 100 (d) None of the above
10. Turnover ratios are also known as :
    (a) Activity ratios (b) Performance ratios
    (c) Both (a) and (b) (d) None of the above

11. The ideal level of current ratio is :

(a) 5 : 2 (b) 2 : 1

(c) Both (a) and (b) (d) None of the above

12. Liquid ratio is also known as :

(a) Quick ratio (b) Cash to Bank ratio

(c) Leverage ratio (d) None of the above

13. Cash Budget is a _____ Budget.

(a) Short-term (b) Long-term

(c) Both (a) and (b) (d) None of the above

14. The payment of salary, wages, overheads, cash purchase and payment to creditors are form of :

(a) Cash payment of capital transaction

(b) Cash payment for non-operating expenses

(c) Cash payment for business operations

(d) None of the above

15. The receipts from dividends, refund of tax, rent, interest etc. are :

(a) Receipts from non-business operations (b) Receipts from business operations

(c) Receipts from capital transactions (d) None of the above

16. Outstanding expenses and reserve for doubtful debts are shown in cash budget :

(a) As a receipts (b) As a payments

(c) Both (a) and (b) (d) None of the above

17. _______ is states as a budget which is made to change as per the level of activity attained.

(a) Fixed budget (b) Flexible budget

(c) Both (a) and (b) (d) None of the above

18. If variable and fixed costs at 60% capacity are Rs. 12,000 and Rs. 9,000 respectively, total cost at 80% capacity will be :

(a) Rs. 5,000 (b) Rs. 28,000

(c) Rs. 25,000 (d) Rs. 24,000

19. At 50% capacity expenses are Rs. 10,000, which increase by 10% between 60% and 80% level of activity and 20% thereafter. These are :

(a) Variable expenses (b) Semi-variable expenses

(c) Both (a) and (b) (d) None of the above

20. While preparing a flexible budget, direct material, direct labour and direct expenses all are placed under the head of :

(a) Semi-variable cost (b) Variable cost

(c) Fixed cost (d) None of the above 1×20=20

SECTION—B

1. Explain the limitations of Management Accounting.

OR

State the functions of Management Accounting. 4

2. Find out Profit-Volume-Ratio (PVR) :

Sales – Rs. 50,000
Profit – Rs. 5,000
Fixed Cost – Rs. 15,000

OR

Find out Break-Even-Point (BEP) :

Fixed Expenses – Rs. 1,00,000
Variable Expenses – Rs. 10 per unit
Selling price – Rs. 15 per unit. 4

3. Calculate Net Operating Profit Ratio :

Sales	Rs. 6,00,000
Net Profit	Rs. 90,000
Non-operating Expenses	Rs. 6,000
Non-operating Income	Rs. 9,000

OR

Calculate Operating Expenses Ratio :

Sales	20,00,000
Office Expenses	8,000
Administrative Expenses	3,92,000
Selling and Distribution Expenses	80,000
Non-operating Expenses	2,000

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4. Prepare a Cash Budget of Prashant and Company for April, May and June :

Month	Sales	Purchases	Wages	Expenses
January	80,000	45,000	20,000	5,000
February	80,000	40,000	18,000	6,000
March	85,000	42,000	22,000	6,000
April	90,000	50,000	24,000	7,000
May	84,000	45,000	20,000	6,000
June	80,000	35,000	18,000	5,000

Additional Information :

(i) Period of credit – allowed to customers one month and allowed by suppliers two months.
(ii) Wages are paid on the 1st day of the next month.
(iii) Expenses are paid after one month.
(iv) Cash Balance as on 1st April – Rs. 8,000.

OR

Explain the meaning and definition of Budget. 4

5. Prepare a Flexible Budget for the production at 80% and 100% activity on basis of the following information :

Production at 50% Capacity	–	5,000 units
Raw Materials	–	Rs. 30 per unit
Direct Labour	–	Rs. 20 per unit
Direct Expenses	–	Rs. 10 per unit
Factory Expenses	–	Rs. 40,000 (50% Fixed)
Administrative Exp.	–	Rs. 80,000 (100% Fixed)

OR

Prepare Flexible Budget at 75% and 100% Capacity Level from the following :

- **Variable Costs – at 50% capacity :**

Material	–	3,00,000	
Labour	–	2,00,000	
Direct Exp.	–	50,000	5,50,000

- **Fixed Costs :**

Salaries	–	1,20,000	
Depreciation	–	80,000	2,00,000

- **Possible Sales at various levels are :**

Capacity	**Sales (Rs.)**
75%	12,00,000
100%	15,40,000

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SECTION—C

1. Explain the meaning objectives of Management Accounting.

OR

State the difference between Management Accounting and Financial Accounting. 8

2. Following information is available from the records of Dipika Company Ltd. :

Year	Sales (Rs.)	Profit (Rs.)
2018	7,0,000	2,00,000
2019	8,60,000	2,96,000

You are required to calculate :

(a) Contribution Ratio

(b) Break Even Point

(c) Net Profit on Sales Rs. 9,50,000

(d) Sales for the Profit Rs. 3,20,000.

OR

Find out :

(i) BEP

(ii) Profit for the Sales of Rs. 10,00,000

(iii) Margin of safety from the Sales of Rs. 12,00,000

(iv) Required sales to earn a Profit of Rs. 2,00,000

Sales Rs. 8,00,000, Variable Cost Rs. 6,00,000, Fixed Cost Rs. 60,000. 8

3. Find out :

(i) Gross Profit Ratio

(ii) Administrative Expenses Ratio

(iii) Operating Profit Ratio

(iv) Operating Ratio.

Sales – Rs. 2,50,000

Cost of goods sold – Rs. 1,50,000

Administrative Expenses – Rs. 25,000

Selling & Distribution Expenses – Rs. 35,000

OR

Find out :

(i) Current Ratio

(ii) Liquid Ratio

Balance Sheet

Liabilities	**Rs.**	**Assets**	**Rs.**
Share Capital	5,00,000	Land and Building	4,50,000
General Reserve	3,00,000	Plant and Machinery	2,50,000
P/L Account	2,00,000	Stock	2,00,000
Sundry Creditors	2,00,000	Debtors	2,00,000
		Cash at Bank	1,00,000
	12,00,000		**12,00,000**

4. Explain the different types of Budgets. 8

OR

Prepare a Cash Budget for April, May and June, 2020 :

Month	Sales	Purchases	Wages	Expenses
January	40,000	22,500	10,000	2,500
February	40,000	20,000	9,000	3,000
March	37,500	21,000	11,000	3,000
April	45,000	25,000	12,000	3,500
May	42,500	22,500	10,000	3,000
June	40,000	17,500	9,000	2,500

Additional information :

(i) 50% of Sales are in Cash; remaining is collected in the month following sale.

(ii) Suppliers provide two months credit.

(iii) Wages are paid on 1st day of the next month.

(iv) Lag in payment of expenses is one month.

(v) Income Tax Rs. 4,000 is payable in June.

(vi) Cash balance on 1st April may be taken at Rs. 15,000. 8

5. The budgeted expenses for the production of 5,000 units in a factory are given below :

Particulars	**Per Unit Rs.**
Materials	35
Labour	15
Variable Overheads	10
Fixed Overheads (Rs. 40,000)	8
Variable Expenses (Direct)	5
Selling Expenses (20% Fixed)	8
Distribution Expenses (10% Fixed)	5
Administrative Exp. (Rs. 20,000)	4
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Prepare a budget for production of (a) 4,000 units (b) 3,000 units. Assume that Administrative Expenses are rigid for all the levels of production.

OR

What is Budgetary Control ? State the Objectives and Limitations of Budgetary Control. 8