

**M.Com. Semester—II (CGS) Examination**  
**ACCOUNTING FOR MANAGERIAL DECISIONS**

Time : Three Hours]

[Maximum Marks : 80

- Note :—**(1) All questions are compulsory.  
 (2) Section A and Section B should be solved.  
 (3) The figures to the right indicate marks to the question.  
 (4) Give working notes wherever necessary.

**SECTION—A**

1. Management Accounting is concerned with accounting information that is useful to :
 

(a) Customer	(b) Management
(c) Employee	(d) None of these
2. The Management Accounting uses the principles and practices of :
 

(a) Financial Accounting	(b) Trading Account
(c) Profit and Loss Account	(d) None of these
3. Liquid Liabilities does not include :
 

(a) Bills Payable	(b) Sundry Creditors
(c) Bank Overdraft	(d) Unclaimed Dividend
4. Quick Ratio =  $\frac{\text{Quick Assets}}{\text{Quick Liabilities}}$  :
 

(a) Quick Liabilities	(b) Bank Overdraft
(c) Share Capital	(d) None of these
5. Funds Flow Statement shows the changes in Assets, Liabilities and Shareholder's equity between two dates of :
 

(a) Purchase Book	(b) Cash Book
(c) Balance Sheet	(d) None of the above
6. Current Assets does not include the following Assets :
 

(a) Stock	(b) Debtors
(c) B/R	(d) Furniture
7. Cash Flow Statement provides information about major sources of cash :
 

(a) Inflow	(b) Outflow
(c) Both Inflow and Outflow	(d) None of these

8. Source of cash \_\_\_\_\_ the total cash of a concern.
- (a) Decreases (b) Increases  
(c) No effect (d) None of these
9. \_\_\_\_\_ is a loss for a concern.
- (a) Save time (b) Idle time  
(c) Rest time (d) None of these
10. Material Mix Variance is a variance of :
- (a) Material Quantity (b) Material Price  
(c) Material Cost (d) None of these
11. Standard Costing is the most effective tool for controlling \_\_\_\_\_ of a concern.
- (a) Profit (b) Loss  
(c) Cost (d) None of these
12. Standard Costing consists of setting \_\_\_\_\_.
- (a) Goals (b) Objectives  
(c) Standards (d) None of these
13. Marginal Costing helps to take, make or \_\_\_\_\_ decision.
- (a) Sale (b) Destroy  
(c) Buy (d) None of these
14. Sometimes a company may have to sell even below \_\_\_\_\_.
- (a) Material Cost (b) Labour Cost  
(c) Prime Cost (d) Variable Cost
15. To obtain the break-even point in rupee sales value, total fixed cost are divided by :
- (a) Variable Cost (b) Fixed Cost  
(c) P/V Ratio (d) None of these
16. When Sales Volume increases :
- (a) BEP increases (b) Total profit increases  
(c) Total loss increases (d) All of these
17. Flexible Budget is prepared for different levels of :
- (a) Sales (b) Purchase  
(c) Production (d) None of these

18. Cash budget is prepared to ensure :
- (a) Availability of cash (b) Availability of material  
(c) Availability of labour (d) None of these
19. Budget is a plan which is prepared on the basis of :
- (a) Cash (b) Sales  
(c) Production (d) Forecast
20. Budgetary control is a system of controlling cost through preparation of :
- (a) Budgets (b) Profit and Loss A/c  
(c) Balance Sheet (d) Trading A/c 1×20=20

**SECTION—B**

1. What is Management Accounting ? Explain the scope of Management Accounting. 12

**OR**

Calculate the following ratios from the given Balance Sheet :

- (i) Current Ratio  
(ii) Liquid Ratio  
(iii) Fixed Assets to Net Worth Ratio  
(iv) Debt Equity Ratio.

**Balance Sheet**

<b>Liabilities</b>	<b>Rs.</b>	<b>Assets</b>	<b>Rs.</b>
600 Shares of Rs. 100 each	60,000	Land	40,000
General Reserve	35,000	Plant	20,000
Dividend Equalisation Reserve	5,000	Machines	27,500
Long-term Loans	20,000	Investments	25,000
Bills-payable	30,000	Inventories	30,000
Provision for Tax	5,000	Bills Receivables	13,500
<b><u>Profit and Loss A/c</u></b>		Cash and Bank Balance	12,000
Balance                      1,000		Preliminary Expenses	8,000
Current year <u>20,000</u>	21,000		
	<b>1,76,000</b>		<b>1,76,000</b>

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2. From the following Balance Sheets of X Ltd. prepare Funds Flow Statement :

Liabilities	Year	Year	Assets	Year	Year
	2017	2018		2017	2018
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital	1,50,000	1,50,000	Fixed Assets	2,30,000	2,40,000
Preference Shares	30,000	40,000	Current Assets	90,600	79,100
Share Premium	3,000	4,000	Discount on		
Debentures	50,000	50,000	Debentures	4,400	3,900
Current Liabilities	60,000	42,000			
Depreciation Reserve	18,000	19,500			
R.D.D.	600	500			
Dividend	2,000	—			
Profit & Loss A/c	2,400	11,400			
Current Profit	9,000	5,600			
	<b>3,25,000</b>	<b>3,23,000</b>		<b>3,25,000</b>	<b>3,23,000</b>

**Additional Information :**

Machinery Costing Rs. 20,000 was sold for Rs. 6,600 (Depreciation Reserve Rs. 14,000)

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OR

From the following Balance Sheet of Ganvesh Co. Ltd. as on 31<sup>st</sup> October, 2018 and 31<sup>st</sup> October, 2019, you are asked to prepare a Cash Flow Statement for the year ended 31<sup>st</sup> October, 2019 :

Liabilities	2018	2019	Assets	2018	2019
	(Rs.)	(Rs.)		(Rs.)	(Rs.)
Share Capital	70,000	74,000	Cash	9,000	7,800
Debentures	12,000	6,000	Debtors	14,900	17,700
Provision for Bad Debts	700	800	Inventories	49,200	42,700
Trade Creditors	10,360	11,840	Land	20,000	30,000
Profit and Loss A/c	10,040	10,560	Goodwill	10,000	5,000
	<b>1,03,100</b>	<b>1,03,200</b>		<b>1,03,100</b>	<b>1,03,200</b>

The following informations are also provided :

- (1) Dividend paid during 2019 Rs. 3,500.
- (2) Land purchased Rs. 10,000.
- (3) Goodwill written off Rs. 5,000.
- (4) Redemption of Debentures Rs. 6,000.

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3. What is Standard Costing ? State the advantages of Standard Costing.

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**OR**

Two types of material are used for the Product x :

**Standard :**

Material A : 30 kg @ Rs. 10 per kg

Material B : 20 kg @ Rs. 15 per kg

**Actual :**

Material A : 40 kg @ Rs. 9 per kg

Material B : 20 kg @ Rs. 15 per kg

Calculate all material variance i.e. :

(1) Material Sub-Usage Variance (MSUV)

(2) Material Mix Variance (MMV)

(3) Material Price Variance (MPV)

(4) Material Cost Variance (MCV)

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4. Kartik Co. Ltd. gives the following information :

	<b>Rs.</b>
Sales	2,10,000
Less : Variable Cost	1,05,000
= Contribution	1,05,000
Less : Fixed Cost	60,000
<b>Net Profit</b>	<b>45,000</b>

**Calculate :**

(1) Profit Volume Ratio

(2) Break Even Point (in Rs.)

(3) Profit for Sales Rs. 1,90,000

(4) Sales for Profit Rs. 55,000.

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**OR**

Jupiter Co. Ltd. produces at 70% capacity. 42,000 units were produced and sold in the country @ Rs. 15 per unit. The information of which is as follows :

	<b>Rs.</b>
Material	2,10,000
Wages	1,26,000
Variable Cost	21,000
Fixed Cost	70,000
<b>Total Expenses</b>	<b>4,27,000</b>

There is a demand from Eastern countries for 6,000 units but selling price at which demand is Rs. 10 per unit only and expenditure of transport Rs. 0.25 per unit is expected.

Whether the company should accept the order or not ? Give comment in this regard by preparing 'Marginal Cost Statement'. 12

5. What is reporting to management ? State the objectives of reporting to management. 12

**OR**

Prepare Flexible Budget from the following information provided by New India Co. Ltd. :

(1) **Variable Cost at 50% Level :**

Material	Rs. 1,26,000
Labour	Rs. 1,34,000
Seller's Salary	Rs. 25,000

(2) **Semi-Variable Cost at 50% Level :**

Maintenance of Machinery	Rs. 18,500
Indirect Labour	Rs. 20,500
General Expenses	Rs. 19,000

(3) **Fixed Cost :**

Salary	Rs. 48,000
Rent and Taxes	Rs. 34,000
Administrative Expenses	Rs. 50,500
Depreciation	Rs. 41,000

(4) **Regarding Semi-Variance Expenses :**

- (a) It will remain same between 40% to 55% Level
- (b) It will increase by 10% between 55% to 70% Level
- (c) It will increase by 15% between 70% to 85% Level
- (d) It will increase by 18% above 85% to 100% Level

(5) Material Purchased in lump-sum at 100%

Capacity allowed 5% discount

(6) **Sales :**

At 60% Level Rs. 5,76,000

At 75% Level Rs. 6,80,000

At 100% Level Rs. 9,00,000

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