

- (b) With the following ratios and further information given below prepare a trading account, P & I account balance sheet of Shri Narashiman :

Gross profit ratio 25 per cent

Net profit/sales 20 per cent

Stock-turnover ratio 10

New profit to capital 1/5

Capital to total liabilities 1/2

Fixed assets/capital 5/4

Fixed assets/total current
assets 5/7

Fixed assets Rs. 10,00,000

Closing stock Rs. 1,00,000

20. (a) State and explain different types of reporting for management.

Or

- (b) Explain the different methods of reporting used by analyzer for submitting to management.

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B.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2014.

Fifth Semester

Business Administration — Main

Elective — MANAGEMENT ACCOUNTING

(For those who joined in July 2012 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL the questions.

Choose the correct answer :

1. Management accounting provides invaluable services to management in performing
 - (a) All management functions
 - (b) Co-ordination functions
 - (c) Controlling functions
 - (d) All business functions



2. One of the functions of management accounting is to _____ in performance of different functions.
- (a) Assist management
 - (b) Control management
 - (c) Planning
 - (d) Writing.
3. The cash budget must be prepared before you can complete the
- (a) Capital expenditure budget
 - (b) Sales budget
 - (c) Forecasted balance sheet
 - (d) Forecasted income statement.
4. A systemized approach known as Zero-Base Budgeting (ZBB)
- (a) Presents planned activities for a period of time but does not present a firm commitment
 - (b) Divides the activities of individual responsibility centers into a series of packages that are prioritized
 - (c) Classifies the budget by the prior year's activity and estimates the benefits arising from each activity
 - (d) Commences with the current level of spending

5. Preparing budget figures for different levels of activity within a range, under flexible budgeting is
- (a) Multi-activity method
 - (b) Formula method
 - (c) Budget cost allowance method
 - (d) None of the above.
6. One of the objectives of standard costing to
- (a) Promote and measure performance
 - (b) Control and reduce costs
 - (c) Simplify production operations
 - (d) Set cost of manufacture.
7. The difference between the standard hours for the actual hours for the actual output and standard output is
- (a) Labour rate variance
 - (b) Overhead cost variance
 - (c) Overhead volume variance
 - (d) Labour efficiency variance.
8. Period cost means
- (a) Variable cost (b) Fixed cost
 - (c) Prime cost (d) Standard cost



9. When sales are Rs. 2 lakhs, fixed cost Rs. 30,000, P/V ratio 40% the amount of profit will be
- (a) Rs. 50,000 (b) Rs. 80,000
(c) Rs. 12,000 (d) Rs. 1 lakhs
10. Observing changes in the financial variables across the year is
- (a) Vertical analysis (b) Horizontal analysis
(c) Inter-firm analysis (d) Intra-firm analysis.

PART B — (5 × 5 = 25 marks)

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

Answer should not exceed 250 words.

11. (a) What do you mean by management accounting?

Or

- (b) Based on the following information prepare a cash budget for XYZ Ltd.,

	1 st Qtr. Rs.	2 nd Qtr. Rs.	3 rd Qtr. Rs.	4 th Qtr. Rs.
Opening cash balance	10,00,000	-	-	-
Collections from customers	1,25,00,000	1,50,00,000	1,60,00,000	2,21,00,000

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	1 st Qtr. Rs.	2 nd Qtr. Rs.	3 rd Qtr. Rs.	4 th Qtr. Rs.
Payment :				
Purchase of materials	20,00,000	35,00,000	35,00,000	54,20,000
Other expenses	25,00,000	20,00,000	20,00,000	17,00,000
Salary & wages	90,00,000	95,00,000	95,00,000	1,09,20,000
Income tax	5,00,000	-	-	-
Purchase of machinery	-	-	-	20,00,000

The company desired to maintain a cash balance of Rs. 15,00,000 at the end of each quarter. Cash can be borrowed or repaid in multiples of Rs. 50,000 at an interest of 10% per annum. Management does not want to borrow cash more than what is necessary and want to repay as early as possible. In any event loans cannot be extended beyond four quarters. Interest is computed and paid when the principal is repaid. Assume that borrowings take place at the beginning and repayments are made at the end of the quarters.

12. (a) What is standard costing and how would you distinguish it from budgetary control?

Or

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- (b) The time taken for a particular operation for operator X in the process division of a manufacturing concern on three different counts was 24, 22 and 27 minute while that of operator Y was 20, 23 and 26 minutes. It has been ascertained that the rating of 'X' is 70/60 and that of 'Y' is 55/60. Allowance for fatigue, personal need are assumed at 15%.

Calculate, using the above information as a base, for that particular operation :

- (i) The standard time and
- (ii) The time allowed under an incentive allowance of 30% of standard time.

13. (a) Explain how semi-variable costs could be split into fixed and variable costs.

Or

- (b) Briefly explain the use of break-even analysis in business.

14. (a) Explain any two merits and two limitations of interfirm comparison.

Or

- (b) The balance sheet of Karthika Company is given below :

Liabilities	Amount	Assets	Amount
Equity share capital	250	Fixed assets	400
General reserve	280	Investment	50
P & I, A/c (current year)	30	Stock	460
Secured loans-long term	300	Debtors	460
Secured loans-short term	390	Cash in hand	10
Creditors	150	Misc. Expenditure (not written off)	20
	<u>1,400</u>		<u>1,400</u>

Additional information :

- (i) From the profit and loss account Rs. 90 lacs was transferred to General Reserve during the year.
- (ii) Interest cost amounted to Rs. 20 lacs.
- (iii) Taxation @ 40%.

You are required to calculate :

- (1) Current ratio
- (2) Debt equity ratio.

15. (a) Define reporting for management by different authors.

Or

- (b) Explain the main objectives of reporting for management.



PART C — (5 × 8 = 40 marks)

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

Answer should not exceed 600 words.

16. (a) Discuss briefly the procedure for the preparation of a sales budget.

Or

- (b) What is Zero Base Budgeting (ZBB)? What are the steps in ZBB?

17. (a) What are the advantages and limitations of standard costing?

Or

- (b) Standard set for material consumption was 100 kg. @ 2.25 per kg in a cost period :

Opening stock was 100 kg. @ Rs. 2.25 per kg.

Purchase made 500 kg. @ Rs. 2.15 per kg.

Consumption 110 kg.

Calculate :

- (i) Usage variance.
(ii) Price variance.

- (1) When variance is calculated at point of purchase?
(2) When variance is calculated at point of issue of FIFO basis?
(3) When variance is calculated at point of issue on LIFO basis?

18. (a) Explain the different types of Direct Material Cost variance with suitable examples.

Or

- (b) A firm has two factories, the product being the same in both cases. The following is the relevant information about the two factories.

	I	II
Capacity p.a.	10,000 units	15,000 units
Variable cost per unit	Rs. 70	Rs. 55
Fixed cost p.a.	Rs. 4,00,000	Rs. 9,00,000

The demand is only 20,000 units. State how the capacity in two factories should be utilized.

19. (a) Explain the financial ratios :
(i) Liquidity ratios
(ii) Profitability ratios
(iii) Capital structure ratio.

Or

