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Code No. : 8774 **Sub. Code : HKCM 11/ HKAM 11**

M.Com./M.Com with Computer Application (CBCS) DEGREE EXAMINATION, NOVEMBER 2014.

First Semester

MANAGEMENT ACCOUNTING

(For those who joined in July 2012 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. The cost concept records the figures at

   (a) Market value

   (b) Actual amount paid

   (c) Actual amount or market value whichever is less

   (d) Estimated cost

2. Cost accounting and management accounting are

(a) Competitive (b) Complementary

(c) Contradictory (d) Conservative

3. Net profit earned plus non-working capital expenses is equal to

(a) Fund provided by operations

(b) Use of funds

(c) Sinking fund

(d) Inflow of funds

4. Cash from operation is equal to

(a) Net profit plus increase in outstanding expense

(b) Net profit plus increase in debtors

(c) Net profit plus increase in stock

(d) Net profit plus decrease in salaries outstanding

5. The costing method in which fixed factory overheads are added in inventory is

(a) Direct costing (b) Marginal costing

(c) Absorption costing (d) Standard costing

6. Contribution margin is also known as

(a) Marginal income (b) Gross profit

(c) Net income (d) Net profit

7. Standards costs are

(a) Ideal costs

(b) Normal costs

(c) Average cost

(d) Reasonably attainable

8. Sales price variance =

(a) SQ (AS-SP) (b) AQ (AP-SP)

(c) SP (SQ-AQ) (d) AP (SQ-AQ)

9. The budget which commonly takes the form of budgeted profit and loss account and balance sheet is

(a) Cash budget (b) Production budget

(c) Master budget (d) Flexible budget

10. Zero base budgeting was first used by

(a) FW Taylor (b) Simon

(c) John Kennedy (d) Jimmy Carter

PART B — (5 × 5 = 25 marks)

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

Each answer should not exceed 250 words.

11. (a) What are the limitations of management accounting?

Or

(b) Brief the important concepts used in management accounting.

12. (a) Compare fund flow statement with balance sheet.

Or

(b) From the following information has been extracted from the Balance sheets of a company.

	31st Dec. 2010	31st Dec 2011
Machinery	80,000	2,00,000
Accumulated depreciation	30,000	35,000
Profit and loss account	25,000	40,000

The following additional information is also available :

(i) A machine costing ₹ 20,000 was purchased during the year by issue of equity shares

(ii) On January 1, 2011, a machine costing ₹ 15,000 (with and accumulated depreciation of ₹ 5,000) was sold for ₹ 7,000.

Find out sources/application of funds.

13. (a) State the features of BEP.

Or

(b) From the following information calculate :

(i) P/V ration

(ii) Break even point

(iii) Margin of safety

(iv) If the selling price is reduced to ₹ 90, by how much is to margin of safety reduced?

Total sales ₹ 3,60,000; selling price per unit ₹ 100; Variable cost per unit ₹ 50; fixed cost ₹ 1,00,000

14. (a) Define direct labour rate variance.

Or

(b) Calculate variable overhead variances from the following data :

Budgeted production for January 2011	3000 units
Budgeted variable overhead	₹ 15,000
Standard time for one unit	2 hours
Actual production for January 2011	2,500 units
Actual hours worked	4,500 units
Actual variable overhead	₹ 13, 500

15. (a) Differentiate budgeting from forecasting.

Or

(b) The following information relates to a flexible budget at 60% capacity. Find the overhead costs at 70% capacity and determine overhead rate :

	Rs.
Variable overhead :	
Indirect labour	10,500
Indirect material	8,400
Semi-variable overheads :	
Repairs and maintenance	7,000
	(70 % fixed)
Electricity	25,00
	(50 % fixed)
Fixed overheads :	
Office expenses	70,000
Insurance	4,000
Depreciation	20,000
Estimated direct labour hours	1,20,000

PART C — (5 × 8 = 40 marks)

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

Each answer should not exceed 600 words.

16. (a) Narrate the stages in the installation of management accounting system.

Or

(b) Discuss the objective and limitations of management accounting.

17. (a) The balance sheets of WM Ltd for 2001 and 2002 are as follows : (₹ in '000s)

Liabilities	2001	2002	Assets	2001	2002
Share capital	250	250	Land and buildings	150	150
5% debentures	100	80	Machinery	82	90
Sundry creditors	115	108	Stock-in-trade	100	114
Profit and loss a/c	20	27	Sundry debtors	85	81
Depreciation fund	40	44	Cash and bank	60	55
Reserve for contingencies	70	55	Temporary investment	131	95
Outstanding expenses	15	24	Prepaid expenses	2	3
	610	588		610	588

The following additional information is also available :

(i) New machinery was purchased for ₹ 30,000 but old machinerv costing ₹ 15,000 was sold for ₹ 5,000, accumulated depreciation was ₹ 8,000.

(ii) ₹ 20,000, 5% debentures were redeemed by purchase from open market @ ₹ 96.

(iii) ₹ 36,000 investment were sold at book value

(iv) 12% dividend was paid in cash

(v) ₹ 15,000 was debited to contingency reserve for settlement of previous tax liability.

Prepare a schedule of changes in working capital and a statement showing the sources and application of funds.

Or

(b) From the following balance sheets of X Ltd make out statement of sources and uses of cash (₹ in '000s).

Liabilities	2006	2007	Assets	2006	2007
Equity share capital	300	400	Good will	115	90
8 % preference share capital	150	100	Land and buildings	200	170
General reserve	40	70	Plant	137	200
Profit and loss a/c	30	48	Debtors	110	200
Proposed dividend	49	50	Stock	77	109
Creditors	55	83	Bills receivables	20	30
Bills payable	20	16	Cash in hand	15	10
Provision for taxation	40	50	Cash at bank	10	8
	684	817		684	817

Addition information :

(i) Depreciation of ₹ 10,000 and ₹ 20,000 have been charged on plant and land buildings respectively in 2007.

(ii) An interim dividend for ₹ 20,000 has been paid in 2007.

(iii) ₹ 35,000 income tax was paid during the year 2007.

18. (a) A company is making a loss of ₹ 40,000 and relevant information is as follows :

Sales ₹ 1,20,000; variable costs ₹ 60,000; fixed costs ₹ 1,00,000.

Loss can be made good either by increasing the sales price or by increasing sales volume. What are the break even sales if

(i) Present sales level is maintained and the selling price is increased

(ii) If present selling price is maintained and the sales volume is increased. What should be sales if a profit of ₹ 1,00,000 is required?

Or

(b) Calculate :

(i) The amount of fixed expenses

(ii) The number of units to break-even

(iii) The number of units to earn a profit of ₹ 40,000.

The selling price per unit can be assumed at ₹ 100. The company sold in two successive periods 7,000 units and 9,000 units and had incurred a loss of ₹ 10,000 and earned ₹ 10,000 as per profit respectively.

19. (a) From the following information regarding a standard product, calculate labour variances: Labour rate

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Hours per unit	10 hours
Units produced	500
Hours worked	6,000
Actual labour cost	2,400

Or

(b) From the following data calculate various material variance :

Material	Standard Quantity	Standard Price Rs.	Actual Quantity	Actual Price Rs.
A	80	8.00	90	7.50
B	70	3.00	80	4.00
	150		170	

20. (a) Describe the essentials of efficient budgetary control system.

Or

(b) Prepare production budget for each month and summarized production cost budget for the six months period ending 31 December 2011 from the following data :

Units to be sold for different months :

2011	Jul	Aug	Sept	Oct	Nov	Dec	2012	Jan
	1100	1100	1700	1900	2500	2300	2000	

There will be no work-in progress at the end of any month. Finished units equals to half of the sales for next month will be in stock at the end of each month (including June 2011). The budgeted production and cost of production for the year ending December 2011 are :

Production (units)	22,000
Direct materials (per unit)	₹ 10
Direct wages (per unit)	₹ 4
Total factory overheads apportioned to this product	₹ 88,000