Reg. No. : ....

Code No. : 12688 **Sub. Code : GMBA 5 A**

B.B.A. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2015.

Fifth Semester

Business Administration – Main

Elective — MANAGEMENT ACCOUNTING

(For those who joined in July 2012 and afterwards)

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. The budget prepared for a particular level of activity under a set of given conditions is called

   (a) Basic budget (b) Fixed budget

   (c) Flexible budget (d) Master budget

2. Choose the odd man out

   (a) Sales Budget (b) Production Budget

   (c) Purchase Budget (d) Master Budget

3. Calendar variance occurs due to difference in

(a) Capacity utilization

(b) Expenditure

(c) Number of working days

(d) None of these

4. Which one of the following statements is true?

(a) Standard costs once fixed cannot be changed

(b) Material yield variance is always favourable

(c) Idle time variance is always adverse

(d) All price variances are uncontrollable

5. Costs which vary directly in proportion to volume of output are called

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

(c) Semi-fixed costs (d) Fixed costs

6. Whenever there is shortage, ———— is used to determine the profitability of products.

(a) GP ratio (b) NP ratio

(c) Key factor (d) P/V ratio

7. The standard liquidity ratio is

(a) 0.5 (b) 1

(c) 2 (d) None of these

8. A lower inventory ratio may indicate

(a) Dull business

(b) Over investment in stock

(c) Unsaleable goods

(d) All of these

9. Which one of the following is an internal report?

(a) Cash report (b) Sales report

(c) Status report (d) All of these

10. Management reports should be

(a) Simple (b) Correct

(c) Complete (d) All of these

SECTION B — (5 × 5 = 25 marks)

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

Answer should not exceed 250 words.

11. (a) What are the limitations of budgetary control?

Or

(b) The Bombay Textiles has estimated sales of particular variety of cloth for the first seven months of the coming year as follows :

January – 48000 metres

February – 50400 metres

March	–	54000 metres
April	–	55200 metres
May	–	57000 metres
June	–	62100 metres
July	–	66000 metres

At the beginning the year 8000 metres of cloth is expected to be in stock. The firm expects to maintain stock at the end of each month equal to one-sixth of sales of the next month. Prepare the purchase budget for the first six months of the next year.

12. (a) Define standard costing. What are the differences between standard cost and estimated cost?

Or

(b) From the following information, calculate material price, usage and cost variances:

Standard quantity of material per unit of output 5 kg

Standard price per kg Rs. 50

Actual output 2100 units

Actual quantity of materials used 10000 units

Actual price per kg Rs. 54.

13. (a) What are the limitations of marginal costing?

Or

(b) From the following information, find out P/V ratio and sales required to earn a profit of ₹45,000

Break even sales ₹ 3,30,000

Fixed cost ₹ 82,500.

14. (a) Write short notes on intra-firm and inter-firm comparisons.

Or

(b) Calculate stock turnover ratio from the following details :

	Rs.
Opening stock	29, 000
Closing stock	31,000
Sales	3,00,000
Gross profit	25% on cost

15. (a) What are formal reports? Give examples.

Or

(b) State the essential characteristics of an ideal report.

SECTION C — (5 × 8 = 40 marks)

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

Answer should not exceed 600 words.

16. (a) Venus Mastermind Ltd has given the following information. You are required to prepare a cash budget for three months ending March 2014.

Month	Sales	Materials	Wages	Overhead
	₹	₹	₹	₹
November 2013	2,00,000	1,00,200	30,800	10,900
December	2,10,000	1,00,000	30,800	20,100
January 2014	2,30,000	90,800	40,000	20,300
February	2,50,000	1,00,000	40,200	20,400
March	3,00,000	1,00,800	40,500	20,500

(i) Credit terms are :

Sales/Debtors : 10% of sales are on cash basis, 50% of credit sales are collected next month and the balance in the following month.

Creditors – Materials 2 months

Wages – 1 month

Overhead – 1 month

(ii) Cash balance on January 1, 2014 is expected to be ₹ 80 000.

(iii) A machinery will be installed in November 2013 at a cost of ₹ 2,00,000 and monthly instalment of ₹ 20,000 is payable from December 2013 onwards.

(iv) Dividend at 10% on Preference shares of ₹ 3000000 is to be paid in March 2014

(v) Income tax to be paid in March 2014 is ₹ 90 000.

Or

(b) The following data are available for Orient Manufacturing Company Ltd for a yearly period :

	₹ (crore)
Fixed expenses	
Wages and salaries	9.5
Rent, rates and taxes	6.6
Depreciation	7.4
Sundry administrative expenses	6.5
Semi-variable expenses at 50% capacity	
Maintenance and repairs	3.5
Indirect labour	7.9
Sales department salaries	3.8
Sundry administrative expenses	2.8

Variable expenses at 50% capacity

Materials	21.7
Labour	20.4
Other expenses	7.9
Total	98.0

Sales at 50% capacity are ₹ 100 crore. Prepare a flexible budget for the year and forecast the profits at 60%, 90% and 100% capacity.

17. (a) Using the following information, calculate labour cost, rate and efficiency variances :

An ice cream factory works 50 hours per week and employs 100 workers on production. The standard wage rate is Rs. 60 per hour and standard output is 2000 units per gang hour. During the week ended March 31, 2014, 10 employees were paid at Rs. 50 per hour, 20 employees at Rs. 75 per hour and the remaining at the standard rate. Actual number of units produced was 1900 units.

Or

(b) From the following information, calculate various fixed overhead variances :

	Budget	Actual
Production (units)	1,000	1,200
Working days	24	25
Labour hours	2,400	2,650
Fixed overhead	12,000	13,500

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

Year	Sales	Total cost
	Rs.	Rs.
First year	1,20,000	1,00,000
Second year	1,40,000	1,27,000

You are required to calculate :

(i) P/V ratio

(ii) Fixed cost

(iii) Break-even point

(iv) Sales required to earn a profit of Rs. 20 000

(v) The profit made when sales are Rs. 2,50 000

(vi) Margin of safety at a profit of Rs. 15,000

Or

(b) Exe Limited has been offered a choice of two to buy a machine between A and B. You are required to compute (i) break-even point for each of the machines, (ii) the level of sales at which both machines earn equal profits and (iii) the range of sales at which one is more profitable than the other. The relevant data is given below :

	Machine A Rs.	Machine B Rs.
Annual output – Units	10,000	10,000
Fixed costs	30,000	16,000
Profit of the above level production	30,000	24,000

The market price of the product is expected to be Rs. 10 per unit.

19. (a) From the information furnished below, find out the debtors' turnover, creditors' turnover and stock turnover ratios :

	Rs.		Rs.
Cash sales	1,00,000	Opening sundry creditors	12,000
Credit sales	3,00,000	Opening sundry Debtors	15,000
Cash purchases	60,000	Closing sundry debtors	30,000
Credit purchases	2,10,000	Opening bills receivable	5,000
Closing stock	22,000	Closing bills receivable	10,000
Opening stock	12,000	Closing sundry creditors	48,000

Or

(b) From the following information, calculate (i) Gross profit ratio, (ii) Net profit ratio (iii) Operating ratio (iv) Earnings per share and (v) Price earnings ratio if market price per share is Rs. 27.50.

Profit and loss account

	Rs.		Rs.
Opening stock	20,000	Sales	4,00,000
Purchases	2,40,000	Closing stock	30,000
Wages	60,000	Profit on sale of investment	4,000
Carriage inwards	10,000	Interest on investment	6,000
Salaries	40,000		
Debenture interest	10,000		
Loss on sale of machine	5,000		
Net profit	55,000		
	4,40,000		4,40,000

Equity share capital: 20 000 equity shares of Rs. 10 each.

20. (a) What are routine reports? Give examples. Explain their importance.

Or

(b) "Reporting is an essential means for cost control". Discuss.