

Code No. : 32094 E Sub. Code : CMCO 62

B.Com. (CBCS) DEGREE EXAMINATION,  
APRIL 2024.

Sixth Semester

Commerce – Core

## MANAGEMENT ACCOUNTING

(For those who joined in July 2021 – 2022 onwards)

Time : Three hours

Maximum : 75 marks

## PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Management Accounting maintains \_\_\_\_\_.
- (a) Journal  
(b) Journal and ledger  
(c) Ledger alone  
(d) None of these

7. \_\_\_\_\_ is the practice of estimating expenses in the production process since manufacturers cannot predict actual costs in advance.
- (a) Break even analysis  
(b) Standard costing  
(c) Marginal costing  
(d) Variance analysis
8. A \_\_\_\_\_ is a calculation that tells small business owners what quantity of product must be sold to be profitable.
- (a) Breakeven analysis  
(b) FFO  
(c) CFO  
(d) Capital budgeting
9. Capital Budgeting deals with \_\_\_\_\_.
- (a) Working Capital  
(b) Long Term Investments  
(c) Short Term Investments  
(d) None of the above
10. Net Present Value is the difference between \_\_\_\_\_.
- (a) Cash received and paid  
(b) Investment and Income  
(c) Present Value of Cash inflows and outflows  
(d) None of the above

2. Management Accounting helps Management in \_\_\_\_\_.
- (a) Preparation of Final accounts  
(b) Raising Finance  
(c) Filing Tax returns  
(d) Decision making
3. The term 'fund' refers to \_\_\_\_\_.
- (a) Reserves (b) Working Capital  
(c) Profits (d) Cash
4. Cash flows include \_\_\_\_\_.
- (a) Cash receipts only  
(b) Cash payments only  
(c) Cash receipts and payments  
(d) Cash and Non cash incomes and expenses
5. \_\_\_\_\_ include things like rent and utilities, business licenses, accounting fees, advertising expenses, and payroll.
- (a) Overhead costs  
(b) Marginal costs  
(c) Standard costs  
(d) Factory cost
6. \_\_\_\_\_ is financial jargon for managing income and expenditure.
- (a) Budgetary control  
(b) Budget  
(c) FFO  
(d) CFO

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## PART B — (5 × 5 = 25 marks)

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

Answer should not exceed 250 words.

11. (a) What are the objectives of Management Accounting?
- Or
- (b) Distinguish between Cost Accounting and Management Accounting.
12. (a) Explain in detail the method of ascertaining 'Funds from Operations'.
- Or
- (b) Calculate the Cash from operations from the following items given:

Particulars	Amount in Rs.
Funds from Operations	84,000
Increase in current liabilities:	
Trade creditors	12,000
Bills payable	4,500
Outstanding expenses	5,500
Increase in current assets:	
Trade debtors	40,500
Trade investments	30,500
Prepaid expenses	3,500

13. (a) You are required to prepare a production budget for the half year ending June 2000 from the following information:

Product	Budgeted sales quantity	Actual stock on 31-12-99	Desired stock on 30-6-2000
	Units	Units	Units
S	20,000	4,000	5,000
T	50,000	6,000	10,000

Or

- (b) Martin Ltd. plans to sell for the next year 50,000 units of a particular product. Two kinds of raw materials A and B are required for manufacturing the product. Each unit of the product requires 2 units of A and 3 units of B. The estimated opening balances at the commencement of the next year are; Finished product — 8,000 units, Raw materials — A 12,000 units, B — 15,000 units. The desired closing balances at the end of the next year are: Finished product — 6,000 units, Raw materials — A 13,000 units, B 16,000 units. Draw up a raw materials purchase budget for the next year.

14. (a) State the benefits of Cost Volume and Profit analysis.

Or

- (b) What are the importances of Break even analysis?

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- (b) From the following B/S of Arvind Ltd., you are required to prepare a cash flow statement:

Liabilities	1989	1990	Assets	1989	1990
	Rs.	Rs.		Rs.	Rs.
Share capital	4,00,000	5,00,000	Cash	60,000	94,000
Trade creditors	1,40,000	90,000	Debtors	2,40,000	2,30,000
P&L a/c	20,000	46,000	Stock	1,60,000	1,80,000
			Land	1,00,000	1,32,000
	<u>5,60,000</u>	<u>6,36,000</u>		<u>5,60,000</u>	<u>6,36,000</u>

18. (a) What is Budgeting? What are the uses of Budgeting?

Or

- (b) Quick Products Ltd. sells two products X and Y in two divisions North and South. The following were the budgeted and actual sales for the year 1999.

Particulars	Budget		Actual	
	North	South	North	South
	Units	Per unit	Units	Per unit
Product X	500	180	300	180
Product Y	300	430	200	430

For the year 2000, the board of directors has approved the proposal of sales department to increase the price of 'X' to Rs.200 and decrease the price of 'Y' to Rs.400. The sales estimates from the divisional managers were as follows: North: X — 800 units Y — 500 units; South: X — 600 units, Y — 300 units

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15. (a) Define 'Capital Budgeting'. What is its importance?

Or

- (b) A Project costs Rs.15,60,000 and yields annually a profit of Rs.2,70,400 after depreciation of 12% p.a but before tax at 25%. Calculate pay-back period.

PART C — (5 × 8 = 40 marks)

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

Answer should not exceed 600 words.

16. (a) What are the advantages and disadvantages of Management Accounting?

Or

- (b) Explain the tools of Management Accounting.

17. (a) Calculate funds from operations from the following Profit and Loss A/c.

Profit and Loss Account			
Particulars	Rs.	Particulars	Rs.
To Expenses paid	3,00,000	By Gross Profit	4,50,000
To Depreciation	70,000	By Gain on	
To Loss on sale		sale of land	60,000
of machine	4,000		
To Discount	200		
To Goodwill	20,000		
To Net Profit	1,15,800		
	<u>5,10,000</u>		<u>5,10,000</u>

Or

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An intensive advertising campaign proposed by advertising consultants is expected to result in additional sales of 20% of each product in each division over the estimated sales. Prepare the sales budget for the year 2000 and present it together with the budgeted and actual sales for 1999.

19. (a) What are the advantages and disadvantages of standard costing?

Or

- (b) List out the advantages and disadvantages of Marginal costing.

20. (a) An investment of Rs.10,000 (having scrap value of Rs.500) yields the following returns:

Years	1	2	3	4	5
Yields (Rs)	4,500	4,000	3,500	3,000	2,500

The cost of capital is 10%. Is the investment desirable? Discuss it according to net present value method assuming the P.V factors for 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> years - .909, .826, .751, .683, .621 respectively.

Or

- (b) A company is considering investment of Rs.10,00,000 in a project. The following are the income forecasts, after depreciation and tax: 1<sup>st</sup> year loss: Rs.1,00,000, 2<sup>nd</sup> year profit Rs.3,00,000, 3<sup>rd</sup> year profit Rs.4,00,000, 4<sup>th</sup> year profit Rs.2,00,000 and 5<sup>th</sup> year profit Rs.2,00,000. Calculate the accounting rate of return

- (i) on original investment method and  
(ii) on average investment method.

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