M.B.A. DEGREE EXAMINATION, JUNE 2014.

Third Semester

Finance

MANAGEMENT ACCOUNTING

(2012-13 Batch onwards)

Time : Three hours — Maximum : 100 marks

SECTION A — ($5 \times 6 = 30$ marks)

Answer any FIVE questions.

1. What are the objectives of management accounting?

2. State the different types of responsibility centres.

3. From the following information, compute :

   (a) Material price variance

   (b) Material quantity variance and

   (c) Material mix variance.

	Standard			Actual		
	Quality	Price	Total	Quality	Price	Total
Material A	10	2	20	5	3	15
Material B	20	3	60	10	6	60
Material C	20	6	120	15	5	75
	50	4	200	30	5	150

4. Mention the advantages of ZBB.

5. What are the assumptions of break even analysis?

6. The sales turnover and profits during two years were as follows :

Year	Sales	Profit
2010	1,50,000	20,000
2011	1,70,000	25,000

You are required to calculate :

(a) P/V ratio

(b) Break even point and

(c) Sales required to earn a profit of Rs. 40,000/-.

	Rs.
Material	2.75
Labour	1.75
Variable expenses	0.50
Fixed expenses	1.25
Total	6,25

(a) Should you make/buy? Give reasons.

(b) What would be your decision if the supplier offered the component at Rs. 4.85 each?

Balance sheet

Liabilities	1994	1995	Assets	1994	1995
Equity capital	3,00,000	3,50,000	Fixed assets	5,10,000	6,20,000
Preference capital	2,00,000	1,00,000	Investments	30,000	80,000
Debentures	1,00,000	2,00,000	Current assets	2,40,000	3,75,000
Profit loss a/c	1,10,000	2,70,000	Discount on issue of debentures	10,000	5,000
Reserve for bad debts	10,000	15,000			
Current liabilities	70,000	1,45,000			
	7,90,000	10,80,000		7,90,000	10,80,000

You are informed that during the year

(a) A machine costing Rs. 70,000/- (Book value Rs. 40,000) was disposed off for Rs. 25,000/-

(b) Preference shares were redeemed at a premium of 5%

(c) Dividend at 15% was paid on equity for the previous year.

16. Explain the different modes of reporting.

SECTION C – (1 × 20 = 20 marks)

Compulsory

17. A Radio manufacturing company finds that while it cots Rs. 6.25 to make a component, the same is available at market for 5.75 with an assurance of continued supply. The break even cost is

7. Calculate cash lost in operations from the following :

	Rs.
Net loss after adjustment	1,40,000
Depreciation	32,000
Preliminary expenses written off	10,000
Good will written off	12,000
Provision for doubtful debts	8,000
Commission accrued	16,000
Dividend received	26,000
Loss on sales machinery	12,000

8. Briefly explain the objects of reporting.

SECTION B — (5 × 10 = 50 marks)

Answer any FIVE questions.

9. Differentiate financial accounting from management accounting.

10. Enumerate the various methods of inter-company transfer pricing.

11. ABC Ltd wishes to arrange over draft facilities with its bankers for the period from April to June 2013. Prepare a cash budget and indicate the extent of the overdraft facility required at the end of each month.

Month	Total purchases	Sales	Wages
February	1,24,800	1,80,000	12,000
March	1,44,000	1,92,000	14,000
April	2,43,000	1,08,000	11,000
May	2,46,000	1,74,000	10,000
June	2,68,000	1,26,000	15,000

25% of sales constitute cash sales. 50% of credit sales are realised in the month, following the sales and the creditors all paid after one month. Cash at bank on 1.4.2013 Rs. 25,000/-.

12. Prepare a budget for the production of :

(a) 6,000 units and

(b) 8,000 units.

The expenses for the budgeted production of 10000 units in a factory are furnished below :

Item	Per unit Rs.
Material	70
Variable cost	25
Labour	20
Fixed cost (Rs. 1,00,000)	10
Variable expenses	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses	5
Total cost	155

13. Following are the particulars of SK Ltd.

Year	Sales	Profit
1990	1,00,000	15,000
1991	1,20,000	23,000

Find out :

(a) P/V ratio

(b) Fixed cost

(c) Break even point

(d) Profit when sales are Rs. 1,25,000/-

(e) Sales required to each profit of Rs. 20,000/-

14. Define – standard costing. Explain the steps involved for installing standard costing system.

15. From the following figures, prepare a statement showing sources and applications of funds for the year ending 31.12.1995.