

**SARASWAT VIDYALYA'S**  
**SRIDORA CACULO COLLEGE OF COMMERCE & MANAGEMENT STUDIES**  
**KHORLIM, MAPUSA – GOA**  
**B.COM – FIFTH SEMESTER END EXAMINATION (REPEAT) – JUNE 2022**  
**(W.E.F 2019-20 CBCS)**

**COST ACCOUNTING MAJOR IV: MANAGEMENT ACCOUNTING**

[Duration: Two Hours]

[Max. Marks: 80]

**Instructions:**

1. **Question No. 1 is Compulsory**
2. All questions carry equal marks
3. Figures to the right indicate maximum marks allotted to questions/sub questions.
4. Answer **any three** question from **Question No. 2 to Question No. 6**

**Q1.** M/s. Golden Cargo Movers is considering the purchase of machines. **(20)**

Two machines A and B are available, the details of which are given below. Company follows straight line method of depreciation. The company pays tax @ 50%. You are requested to advice the company to which machine is more profitable by using:

1. **Payback Period**
2. **Average Rate of Return Method.**

| Particulars                                   | Machine A    | Machine B   |
|---|--------------|-------------|
| Cost  | Rs. 2,50,000 | Rs.5,00,000 |
| Life  | 6 years      | 6 years     |
| Scrap Value                                   | Rs. 10,000   | NIL         |
| <b>Profit (before depreciation and taxes)</b> | <b>Rs.</b>   | <b>Rs.</b>  |
| 1 <sup>st</sup> Year                          | 1,00,000     | 80,000      |
| 2 <sup>nd</sup> Year                          | 1,20,000     | 1,40,000    |
| 3 <sup>rd</sup> Year                          | 1,40,000     | 1,60,000    |
| 4 <sup>th</sup> Year                          | 80,000       | 80,000      |
| 5 <sup>th</sup> year                          | 1,00,000     | 80,000      |
| 6 <sup>th</sup> year                          | 60,000       | 60,000      |

- Q2. A)** The expenses budgeted for production at 60% capacity in a factory are given below. Prepare a flexible budget for overheads on the basis of the following data. **(10)**

|                                 |                        |
|---------------------------------|------------------------|
| <b>Variable overheads:</b>      | <b>At 60% capacity</b> |
| Material                        | Rs 6,000               |
| Labour                          | Rs 18,000              |
| <b>Semi-variable overheads:</b> |                        |
| Electricity:                    | Rs 30,000              |
| 40% Fixed                       |                        |
| 60% variable                    |                        |
| <b>Repairs:</b>                 |                        |
| 80% fixed                       | Rs 3,000               |
| 20% Variable                    | Rs 3,000               |
| <b>Fixed overheads:</b>         |                        |
| Depreciation                    | Rs 16,500              |
| Insurance                       | Rs 4,500               |
| Salaries                        | Rs 15,000              |
| Total overheads                 | Rs 93,000              |
| Estimated direct labour hours   | 1,86,000 hours         |

Prepare budget for the production at 60% and 70% capacity.

- B)** Differentiate between management accounting and financial accounting. **(10)**

- Q3. A)** A company produces and sells 3 items; Product A, Product B and Product C. The company has divided its market into two markets Zone 'X' and Zone 'Y'. The actual figures for the previous year sales were as under: **(10)**

| <b>Product</b> | <b>Zone 'X' units</b> | <b>Zone 'X' price</b> | <b>Zone 'Y' units</b> | <b>Zone 'Y' price</b> |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| A              | 4,00,000              | Rs 12                 | 2,50,000              | Rs 12                 |
| B              | 2,50,000              | Rs 15                 | 3,50,000              | Rs 15                 |
| C              | 3,00,000              | Rs 16                 | 3,00,000              | Rs 16                 |

For the year 2021 sales of Product A will go up by 10% in Zone 'Y' and of Product C by 25,000 units in Zone 'X'. The company plans to introduce publicity film for Product B in T.V network.

The budgeted figures for the product B are to be increased by 20% in both the zones. Price of Product A and C are to be maintained but for product B a bonus increase of Re.1 will be announced. You are required to prepare Sales Budget for the year 2021.

**B) Elucidate tools and techniques of management accounting (10)**

**Q4. A) S. K. Brothers wish to approach the bankers for temporary overdraft facility for the period from October 2021 to December 2021. During this period of three months, the firm will be manufacturing mostly stock. (10)**

| Month     | Sales (Rs.) | Purchases (Rs.) | Wages (Rs) |
|-----------|-------------|-----------------|------------|
| August    | 3,60,000    | 2,49,600        | 24,000     |
| September | 3,84,000    | 2,88,000        | 28,000     |
| October   | 2,16,000    | 4,86,000        | 22,000     |
| November  | 3,48,000    | 4,92,000        | 20,000     |
| December  | 2,52,000    | 5,36,000        | 30,000     |

Additional Information:

(a) 50% of credit sales are realized in the month following the sales and remaining 50% in the second following.

(b) Creditors are paid in the month following the month of purchase

(c) Estimated cash as on 1-10-2021 is Rs. 50,000.

You are required to prepare a cash budget beginning from the month October 2021 to December 2021.

**B) Explain stages involved in target costing. (10)**

**Q.5 High End Ltd Company wants to set up its plant in Velha, Goa and for this purpose the company are considering two mutually exclusive projects. Both the projects has life of 5 years and have initial cash investment of Rs. 1,00,000 each. The company pays tax @ 50%. Straight line method of depreciation will be charged (20)**

on the project. The project are expected to generate a *net cash inflow before tax* as follows.

| Year | Project X<br>Rs. | Project Y<br>Rs. | Discounting<br>factor<br>@10% |
|------|------------------|------------------|-------------------------------|
| 1    | 40,000           | 60,000           | 0.909                         |
| 2    | 40,000           | 30,000           | 0.826                         |
| 3    | 40,000           | 20,000           | 0.751                         |
| 4    | 40,000           | 50,000           | 0.683                         |
| 5    | 40,000           | 50,000           | 0.621                         |

With the help of above information you are required to calculate

- i) Net Present Value
- ii) Profitability Index.

**Q6.** Write short notes on **any four** of the following:

**(5X4 = 20)**

- a) Master Budget
- b) Internal Rate of Return
- c) Need for enterprise resource planning.
- d) Essential features of capital budgeting
- e) Scope of enterprise resource planning
- f) Role of Management accountant.

-----**END**-----