

Sridora Caculo College of Commerce and Management Studies,

Telang Nagar, Khorlim, Mapusa

B.Com Fifth Semester End Examination January 2022

Subject: Cost Accounting Major IV- Management Accounting

Duration : 2 Hrs

Max. Marks: 80

Total no. of pages: 04

Instructions:

1. *Question no.1 is compulsory.*
2. *Attempt any three questions from Q.no.2 to Q.no.6.*
2. *Working notes should form part of your answer.*
3. *Use of non-scientific calculator is allowed.*
4. *Figures to right indicate full marks.*

Q.1. M/s. Silver Cargo Movers is considering the purchase of machine. Two machines A and B are available, the details of which are given below. Company follows straight line method of depreciation. You are requested to advice the company to which machine is more profitable by using

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

Rate of tax is 50%.

	Machine A	Machine B
Cost	Rs. 3,00,000	Rs.4,00,000
Life	5 years	5 years
Scrap Value	Rs. 20,000	NIL

Profit (before depreciation and taxes)	Rs.	Rs.
1 st Year	1,00,000	2,60,000
2 nd Year	2,20,000	1,90,000
3 rd Year	2,40,000	2,40,000
4 th Year	1,20,000	1,50,000
5 th year	2,60,000	2,60,000

(20 marks)

Q.2. A. The expenses budgeted for production at 100% capacity in a factory is given below:

	At 100% Capacity Rs.
Material	5,00,000
Labour	2,00,000
Variable expenses(Direct)	30,000
Variable overheads	2,00,000
Fixed overheads	40,000
Administrative expenses(Fixed)	60,000
Selling expenses (10% fixed)	1,00,000
Distribution expenses (20% fixed)	80,000

Prepare budget for the production at 80% and 90% capacity.

(10)

B. Explain functions of management accounting .

(10)

3. A. Differentiate between management accounting and financial accounting.

(10)

B. The Cubla ltd. Verna manufactures two brands for Books – one sold under the name of 'Navneet' and another under the name of 'Classmate'. The sale department of the company has three departments in different areas of the country.

The sales budget for the year ending 31st December 2021 were

Navneet	Department I	6,00,000
	Department II	7,60,500
	Department III	2,80,000

Classmate	Department I	6,00,000
	Department II	6,00,000
	Department III	70,000

Sales prices are Rs. 4 and Rs.2.20 in all departments for Navneet and Claamate respectively. The sale of department I for both the brands will increase by 10,000 units and sale of department III for both the brands will decrease by 10% and sale of Classmate in department II for will go up by 20%.

Prepare sales Budget.

(10)

Q. 4. A. Explain stages involved in target costing.

(5)

B. Prepare a cash budget for Limetom Ltd from March 2021 to May 2021

	Sales Rs.	Selling expenses Rs.	Purchases Rs.	Wages Rs.	Factory expenses Rs.	Admin. expenses Rs.
Jan	2,70,000	8,000	90,000	25,000	20,000	6,000
Feb	2,60,000	8,500	94,000	26,000	21,000	7,500
Mar	2,82,000	7,500	93,000	26,800	8,000	4,500
April	2,55,000	7,800	93,000	22,000	20,500	4,750
May	2,65,000	8,400	86,000	28,000	22,000	5,400
June	3,00,000	7,000	78,000	26,000	7,600	5,700

Other information

1. Opening cash balance on 1st March 2021 Rs. 40,000.
2. Out of total sales 50% sales are on cash basis and 50 % are on credit .Period of credit allowed to customers and by suppliers is one month.
3. Lag in payment of factory expenses, administrative expenses and selling expenses is one month.
4. Machinery purchased for Rs. 30,000 in March payable on delivery.

5. Building purchased in March for Rs. 1,50,000 payable in two equal installments in April and May

6. Delay in payment of wages two months. (15)

Q.5. A. Explain advantages of target costing. (5)

B. There are two mutually exclusive projects under active consideration of the company.

Both the projects has life of 5 years and have initial cash outlay of Rs. 1,00,000 each.

The company pays tax @ 50%. Straight line method of depreciation will be charged on the project. The project are expected to generate a net cash inflow before tax as follows.

Year	Project X Rs.	Project Y Rs.	Discounting factor @10%
1	40,000	30,000	0.909
2	40,000	49,000	0.826
3	40,000	44,000	0.751
4	40,000	80,000	0.683
5	40,000	50,000	0.621

With the help of above information you are required to calculate Net Present Value and Profitability Index. (15)

Q.6. Answer any four of the following. (4x5=20)

- Master Budget
- Objectives of budgetary control.
- Need for enterprise resource planning.
- Capital budgeting
- Scope of enterprise resource planning
- Role of Management accountant.

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