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**T.Y. B.Com (Semester-V)**  
**EXAMINATION NOVEMBER 2022**  
**Cost Accounting IV-Management Accounting**

[Duration : 2 Hours]

[Total Marks :80]

**Instructions :**

- 1) Q. 1 is compulsory.
- 2) Answer any **Three** questions from Question 2 to Question 6.
- 3) Figures to the **right** indicate **maximum** marks allotted.
- 4) Working notes should form part of the answer.

- Q.1 Cotton Pouches company is a factory which is currently working at 50% capacity and produces 5,000 units at a cost of Rs.95 per unit. The following are the details of the selling price and elements of cost. (20 marks)

Particulars	Rs.
Material	50 per unit
Labour	15 per unit
Factory overheads (Rs.6 fixed)	15 per unit
Administrative overheads (Rs.9 fixed)	15 per unit
Total	95 per unit
Current selling price	100 per unit

The following additional information is provided:

1. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%.
2. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%.

Prepare a flexible budget at 60% and 80% capacity working, respectively and calculate the estimated profits/losses.

- Q.2 Automation Ltd. provides you the following information of machine A. (20 marks)

Purchase price of machinery	Rs.10,00,000
Installation charges	Rs.1,50,000
Life of the machine	5 years
Method of depreciation	Straight line
Tax rate applicable	30%
Cost of capital	10%

Year	Earnings Before depreciation and tax Rs.
1 <sup>st</sup> year	3,40,000
2 <sup>nd</sup> year	7,00,000
3 <sup>rd</sup> year	14,20,000
4 <sup>th</sup> year	14,40,000
5 <sup>th</sup> year	18,60,000

Year	1	2	3	4	5
P.V Factors at 10%	0.909	0.826	0.751	0.683	0.621

Calculate the Net Present Value (NPV) of machine A.

Q.3

A) The following information has been made available from the records of Fine Stationery Ltd. in respect of product "Black marker pens".

(10 marks)

1) Units to be sold in different months are:

July 2018	2,200	November 2018	5,000
August 2018	2,200	December 2018	4,600
September 2018	3,400	January 2019	4,000
October 2018	3,800		

2) Finished units equal to half the sales of the next month will be in stock at the end of every month (including January 2019).

3) Budgeted production & production cost for the year ended 31.12.18:

Production unit	44,000
Direct material per unit	Rs.20
Direct wages per unit	Rs.8
Total factory overheads apportioned production	Rs.1,76,000

Prepare:

- Production budget from August to December 2018, respectively.
- Summarized Production cost budget for the same period.

(10 marks)

B) A ltd. is considering a new 5 year project. Its investment costs and annual cash inflows after tax are projected below:

Year	Investment	Annual cash inflows after tax				
		1	2	3	4	5
Amount	(2,50,000)	40,000	30,000	20,000	10,000	10,000
Rs.						

Residual value at the end of the project is expected to be Rs. 40, 000 and depreciation of the original investment is on straight line method. Using average profits and average capital employed, calculate the average rate of return (ARR) and the payback period for the project.

Q.4 A) Aroma Agarbatti Ltd. Provides you with the following information : (10 marks)

a) Monthly Sales (Rs.)

November 2018	40,000	February 2019	50,000
December 2018	44,000	March 2019	1,00,000
January 2019	60,000	April 2019	1,60,000

b) 20% of the sales are on cash basis and the balance 80% on credit basis. 40% of the credit sales are receivable in the month following the sales and balance in the second month of sales. Prepare a statement showing the cash sales and collection from debtors, for the months of January to March 2019, respectively, for the purpose of a cash budget.

B) Explain the role and status of the management accountant in an organization. (10 marks)

Q.5 A) What is Enterprise Resource Planning? Explain its features. (10 marks)

B) Distinguish between Management Accounting and Financial Accounting. (10 marks)

Q.6 Write short notes on any Four of the following: (4X5=20 marks)

- Target Costing and its objectives.
- Limitations of Management Accounting.
- Internal Rate of Return in capital budgeting.
- The scope of Enterprise Resource Planning.
- The master budget.
- The advantages of Target Costing.