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T.Y.B.Com Semester V (CBCS) Ordinance
EXAMINATION APRIL 2024
Cost Accounting IV : Management Accounting

[Time: 2:00 Hours]

[Max. Marks:80]

- Instructions:**
- 1) Question No. 1 is compulsory.
 - 2) Answer **any 3** questions from Q. No. 2 to Q. No. 6.
 - 3) All questions carry **equal** marks.
 - 4) Give working note **wherever** necessary.
 - 5) Figures to the **right** indicate maximum marks.

- Q1** Sparkle Ltd provides you with the following information on production and sales at 60% capacity. **20**

Variable expenses	Amount (Rs)
Factory	3,00,000
Administrative	3,00,000
Selling	2,40,000
Semi variable expenses	
Factory	1,00,000
Administrative	1,20,000
Selling	1,40,000
Fixed expenses	
Factory	6,80,000
Administrative	6,40,000
Selling	6,00,000
Total sales	30,00,000

Semi variable expenses are constant between 55% and 75%, increasing by 10% between 75% and 90% of capacity and 20% between 90% and 100% of capacity. Prepare flexible budget at 70%, 80%, and 100% capacity levels.

- Q2** A project needs an initial investment of 50,000 and tax rate is 55%. The company follows straight line depreciation method and the proposed inflows before tax and depreciation over its expected useful life are: **20**

Year	1	2	3	4	5
Inflow	10,000	10,000	15,000	15,000	25,000

Determine Payback period and Average Rate of Return before tax.

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- Q3** A. Ramson Brothers wishes to approach the bankers for a temporary overdraft facility for the period from October 2022 to December 2022. During this period of three months, the firm will be manufacturing mostly for stock. You are required to prepare a cash budget for the above period. **10**

Month	Sales (Rs)	Purchase (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

- (a) 50% of credit sales are realized in the month following the sales and the remaining 50% in the second following.
 (b) Creditors are paid in the month following the month of purchase.
 (c) Estimated cash as on 1-10-2022 is Rs. 50,000.

- B.** A plant manufacturing co. has taken up a proposal of manufacturing high quality glasses. The cost of equipment is 80,000/-. It would last for 5 years. The glasses can be sold for Rs.5/- each regardless the level of production. **10**

Manufacturer will incur the cost of Rs. 25,000/- (fixed for each year). The variable cost is Rs. 2/- per glass. The sale estimate is Rs. 75,000/- glasses. The tax rate is 55%. Assume 10% cost of capital & PV factor is @ 10% is 3.791. Calculate NPV and advise company whether to buy the equipment or not. Overhead cost is 5,000/-.

- Q4** A. Alpha manufacturing company submits the following figures for the first quarter 2022. **10**

Particulars	X	Y	Z
Sales units: January	50,000	60,000	20,000
February	40,000	50,000	20,000
March	60,000	70,000	20,000
Selling price per unit	10	20	40
Targets for first quarter 2023			
Sales Quantity increases	20%	10%	10%
Sales price increases	Nil	10%	25%

You are required to prepare the sales budget for the first quarter of 2023.

- B.** Explain the Tools of Management Accounting. **10**

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- Q5 A. What is Target Costing and explain the merits of Target costing.
B. What is Enterprise Resource Planning and explain the need for ERP.

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Q6 Write short note on (Any four) of the following:

4x5=20

- a) Limitations of Management Accounting
- b) Merits of Payback method.
- c) Stages involved in target costing.
- d) Advantages of Budgetary control.
- e) Scope of Management Accounting.
- f) Benefits of Enterprise Resource Planning.