4 (Sem–5/CBCS) COM HE 1 (MA)

2022

COMMERCE

(Honours Elective)

Paper : COM–HE– 5016

(Management Accounting)

Full Marks : 80

Time : Three hours

The figures in the margin indicate full marks for the questions.

1. Answer the following questions : ***(any ten)*** 1×10=10

   (a) Management Accounting deals with both quantitative and ___________ information. *(Fill in the blank)*

   (b) Management Accounting is helpful in increasing profitability. *(State whether the statement is True* ***or*** *False)*

Contd.

(c) Define the term 'Management Accounting'.

(d) Financial statements are

(i) estimates of facts

(ii) anticipated facts

(iii) recorded facts

(iv) All of the above

(Choose the correct answer)

(e) Financial statements are only ______ reports. *(Fill in the blank)*

(f) Debt-equity ratio is the relationship between outsiders' funds and ______ funds. *(Fill in the blank)*

(g) What is gross profit ratio ?

(h) What do you mean by cash budget ?

(i) Labour cost variance is the difference between standard cost of labour and ______ cost of labour. *(Fill in the blank)*

(j) State the meaning of standard costing.

(k) What is break-even point ?

(l) Marginal costing is a technique of cost control. *(State whether the statement is True* **or** *False)*

(m) Contribution is the difference between sales and ______ costs. *(Fill in the blank)*

(n) What is margin of safety ?

(o) Standard cost is a ______ cost. *(Fill in the blank)*

(p) Liquidity ratios measure long-term solvency of a concern. *(State whether the statement is True* **or** *False)*

(q) Management Accounting provides decisions to the management. *(State whether the statement is True* **or** *False)*

(r) Liquid ratio is also known as ______ ratio. *(Fill in the blank)*

2. Write brief answers to the following questions : ***(any five)*** $2 \times 5 = 10$

(i) Mention *two* limitations of Management Accounting.

(ii) Write *two* distinctions between Cost Accounting and Management Accounting.

(iii) State *two* objectives of financial statement analysis.

(iv) State *two* advantages of ratio analysis.

(v) Mention *two* distinctions between fixed budget and flexible budget.

(vi) Write *two* limitations of budgetary control.

(vii) State the meaning of materials cost variance.

(viii) Write the significance of the term 'variance' in standard costing.

(ix) State the meaning of marginal costing.

(x) What is angle of incidence in marginal costing ?

3. Answer the following questions : ***(any four)*** 5×4=20

(i) Mention *five* objectives of Management Accounting.

(ii) Briefly explain the importance and need of Management Accounting.

(iii) Write a brief note on comparative statements.

(iv) Explain in brief the significance of return on capital employed.

(v) State the objectives of budgetary control.

(vi) Briefly explain *any five* advantages of cash budget.

(vii) Explain the possible causes for material price variance in standard costing.

(viii) Write a brief note on cost-volume-profit analysis.

4. Answer the following questions : **(any four)**

$10 \times 4 = 40$

(a) 'Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operations of the undertakings.' Explain this statement.

(b) Briefly discuss about cost control and cost reduction. Also explain its advantages. $3+3+4=10$

(c) Explain the procedure of analysis and interpretation of financial statements. Also discuss the limitations of financial analysis. 5+5=10

(d) From the following data, prepare a Comparative Statement of Profit and Loss of Shiva India Ltd. :

Particulars	31-3-2021 (₹)	31-3-2020 (₹)
Revenue from operations	25,00,000	20,00,000
Other incomes	1,00,000	5,00,000
Employees benefit expenses	60% of total revenue	50% of total revenue
Other expenses	10% of employees benefit expenses	20% of employees benefit expenses
Tax rate	50%	40%

(e) What is a budget ? Briefly explain the advantages of budgetary control. 2+8=10

(f) X & Co. wishes to arrange overdraft facilities with bankers during the period April to June of a particular year, when it will be manufacturing mostly for stock. Prepare a cash budget for the above period from the following data, indicating the extent of the bank facilities, the company will require at the end of each month :

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

Other informations :

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

(ii) Creditors are paid in the following month of purchase.

(iii) Cash at bank is ₹ 25,000 on 1st April.

(g) *(i)* Explain wage rate variance and labour efficiency variance. 2+2=4

(ii) From the following information regarding a standard product, calculate labour variances : 6

Labour rate	-	50 paise per hour
Hours per unit	-	10 hours
Units produced	-	500
Hours worked	-	6000
Actual labour cost	-	₹ 2,400

(h) (i) State the steps involved in standard costing. 4

(ii) Discuss the limitations of standard costing. 6

(i) Explain the advantages of marginal costing and cost-volume-profit analysis.

(j) Assuming that the cost structure and selling prices remain same in period I and II, find out —

(i) P/V ratio;

(ii) Fixed cost;

(iii) Break-even point for sales;

(iv) Profit when sales are of ₹ 1,00,000;

(v) Sales required to earn a profit of ₹ 20,000.

2×5=10

Period	Sales (₹)	Profit (₹)
I	1,20,000	9,000
II	1,40,000	13,000