## UNIT-V

6. a) Explain the process of budgetary controls? 8

**OR**

b) A company, working at 50% capacity, is manufacturing 10,000 units of a product. At 50% capacity the product cost is Rs 180 and selling price is Rs 200. The break up of the cost is as below

| | |
|---|---|
| Material | Rs 100 cost per unit |
| Wages | |
| Factory | Rs 30(40% fixed) cost per unit |
| Administration overhead | Rs 20(50% fixed) cost per unit |

At 60% working, raw material cost goes up by 2% and selling price fells by 2% at 80% working, the raw material cost increased and sales price decrease by 5%. Prepare a statement to show profitability at 60% and 80% capacity 8

**[MPIBA-0601]**

# IMBA DEGREE EXAMINATION

## VI TRIMESTER

## MANAGEMENT ACCOUNTING

(Effective from the admitted batch 2008–09)

**Time: 3 Hours** **Max.Marks: 60**

---

**Instructions:** All parts of the unit must be answered in one place only.
Figures in the right hand margin indicate marks allotted.

---

### SECTION-A

1. Answer any **FIVE** of the following.
   Answers should not exceed one page (5 x 4 =20)

   a) Semi variable cost
   b) Liquidity ratio
   c) Funds flow statement
   d) Master budget
   e) Margin of safety
   f) Decision making
   g) Incremental cost
   h) Cost-volume-profit

### SECTION-B

Answer the following

### UNIT-I

2. a) What is common-size balance sheet and income statement? Explain the techniques of preparing the common size balance Sheet 8

**OR**

   b) The following summarized balance sheet of ESS GEE Ltd as on December 31st 2003-2004

| Liabilities | 2003 | 2004 | Assets | 2003 | 2004 |
|---|---|---|---|---|---|
| Share capital | 1,00,000 | 1,30,000 | Land & building | 1,00,000 | 95,000 |
| General reserve | 25,000 | 30,000 | Machinery | 75,000 | 84,500 |
| Profit and loss A/C | 15,200 | 15,400 | Stock | 50,000 | 37,000 |
| Bank loan**(long term)** | 35,000 | | Sundry debtors | 40,000 | 32,100 |
| Sundry creditors | 75,000 | 67,500 | Cash | 200 | 300 |
| Provision for tax | 15,000 | 17,500 | Bank | | 4,000 |
| | | | Goodwill | | 7,500 |
| | 2,65,200 | 2,60,400 | | 2,65,200 | 2,60,400 |

Additional information

1. Dividend of Rs 11,500 was paid
2. Assets of another company were purchased for a consideration of Rs 30,000 payable in shares and , the following assets were purchased; stock-Rs 10,000 and machinery Rs 12,500
3. Machinery was further purchased is Rs 4000
4. Depreciation written off machinery Rs 6,000
5. Income tax provided during the year Rs 16,500
6. Loss on sale of machinery Rs 100 was written off to general Reserve

   You are required to prepare a cash flow statement for the year ended 31st December 2004 8

**UNIT-II**

3. a) Discuss various basis of classification of cost and various types of costs ? 8

**OR**

   b) A company produces only one product which has the following costs:

   Variable manufacturing cost Rs 4 per unit. Fixed manufacturing cost Rs 1,00,000 p.m. The normal capacity is set at 1,00,000 units. There is no work- in – process in inventories. Fixed overhead rate Rs 1 per unit

In 2004, the company produced 1,00,000 units and sold 90,000 units at a rate of Rs 8 per unit. In 2005, the company produced 1,10,000 units and sold 1,15,000 units at the same price

You are required to prepare income statement for 2004 and 2005 based on absorption costing and variable costing 8

## UNIT-III

4. a) Define "marginal cost" and "marginal costing". How variable costs and fixed cost are treated in marginal costing? 8

**OR**

b) ABC Ltd manufacture and sell four types of products under the brand name of P.Q.R. and S. The sales mix in value comprises of 33.1/3%, 41.2/3%, 16.2/3% and 8.1/3% of products P, Q, R and S respectively. The total budgeted sales (100%) are Rs 60,000 per. month

Operating cost are: variable cost P 60% of the selling price
Q 68% of the selling price
R 80% of the selling price
S 40% of the selling price

Fixed cost Rs 14,700 per month

Calculate the break even point for the products on an over-all basis 8

## UNIT-IV

5. a) "Marginal costing is the useful technique available to management accounting for decision making" Discuss 8

**OR**

b) An automobile manufacturing company finds the cost of making part No.208 in its own workshop is Rs 6. The same part is available in the market at Rs 5.60 with an assurance of continuous supply. The cost data to make the part are

| | |
|---|---|
| Material | 2 |
| Direct labour | 2.50 |
| Other variable | .05 |
| Fixed cost allocation | 1.00 |
| | 6.00 |

i) Should the part be made or bought?

ii) Will your answer be different if the market price is Rs.4.60? Show your calculations clearly 8