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4 (Sem-5/CBCS) COM HE 1 (MA)

2023

**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 as directed : 1×10=10

(a) Management Accounting aims at providing decisions to the management.  
(State whether the statement is True or False)

(b) What is Angle of Incidence?

(c) \_\_\_\_\_ contains many information which are required for effective budgetary planning.

(Fill in the blank)

Contd.

(d) Trading on equity refers to the use of fixed interest bearing securities by a firm to earn more than their cost so as to increase the return on owners equity. (State whether the statement is True or False)

(e) \_\_\_\_\_ refers to the ability of a concern to meet its current obligations as and when they become due. (Fill in the blank)

(f) An unfavourable material price variance occurs when :

- (i) there is increase in price of raw materials
- (ii) there is decrease in price of raw materials
- (iii) wastage is less than anticipated in the manufacturing process
- (iv) wastage is more than anticipated in the manufacturing process.

(Choose the correct answer)

(g) How is 'Break-even analysis' interpreted in its narrower sense ?

(h) At break-even point :

- (i) there is neither profit nor loss
- (ii) total revenue is equal to total costs
- (iii) contribution is equal to fixed costs
- (iv) All of the above

(Choose the correct answer)

(i) \_\_\_\_\_ budget does not take into consideration any change in expenditure arising out of changes in the level of activity.

(Fill in the blank)

(j) Which of the following transactions will improve the current ratio ?

- (i) Purchase of goods for cash
- (ii) Payment to trade payables
- (iii) Credit purchase of goods
- (iv) Collection of cash from trade receivables

(Choose the correct answer)

2. Give brief answers to the following questions :  $2 \times 5 = 10$

(a) Mention two managerial uses of ratio analysis.

- (b) Write *any two* characteristic features of management accounting.
- (c) What is PV ratio?
- (d) What do you mean by Material Price Variance?
- (e) Mention *two* limitations of Ratio analysis.

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

- (a) Explain briefly the role of a management accountant in a business enterprise.
- (b) Describe briefly *any five* requisites for a successful budgetary control system.
- (c) Sale of a company for two consecutive months ₹ 3,80,000 and ₹ 4,20,000. The company's net profit for these months amounted to ₹ 24,000 and ₹ 40,000 respectively. Assuming that there is no any other change, calculate P/V ratio and fixed cost.
- (d) Distinguish between Budgetary Control and Standard Costing.

- (e) What do you mean by variance analysis? Discuss its importance briefly.
- (f) Write *any five* limitations of Financial Statement analysis.

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

- (a) "The subject of management accounting is very important and useful for optimum utilisation of resources. It is an indispensable discipline for management." Elucidate this statement.  
10
- (b) What is meant by Zero-based budgeting? State the advantages and limitations of Zero-based budgeting.  
2+4+4=10
- (c) Describe briefly the limitations of Financial Accounting and point out how Management Accounting helps in overcoming them.  
10

- (d) The expenses for the production of 5,000 units of a product in a factory are given as follow : 10

	Per unit ₹
Materials	50.00
Labour	20.00
Variable factory overheads	15.00
Fixed factory overheads	10.00
Administrative expenses (5% variable)	10.00
Variable selling expenses (80% variable)	4.80
Fixed distribution expenses (10% fixed)	0.50

The total cost of sales per unit was ₹ 116.00. You are required to prepare a budget for the production of 8,000 units.

(e) 5+5=10

- (i) Given :

Profit	₹ 200
Sales	₹ 2,000

Variable Cost 75% of sales

Find break-even sales and profit when sales are ₹ 3,200.

- (ii) Given :

Break-even sales ₹ 8,000

Fixed Costs ₹ 3,200

Find profit when sales are ₹ 10,000 and sales when profit is ₹ 2,400.

- (f) "Ratio analysis is only a technique for making judgements and not a substitute for judgements." Explain. 10

- (g) From the following particulars find out : 10

(i) Material cost variance

(ii) Material price variance and

(iii) Material usage variance

Quantity of material purchased	3,000 units
Value of material purchased	₹ 9,000
Standard quantity of material required per tonne of finished product	25 units
Standard rate of material	₹ 2 per unit
Opening stock of material	Nil
Closing stock of material	500 units
Finished production during the year	80 tonnes

(h)

5+5=10

(i) Write an explanatory note on common-size statement.

(ii) Given :

Sales ₹ 3,50,000

Sales returns ₹ 20,000

Gross profit ratio 20%

Inventory turnover ratio 8 times

Opening inventory exceeds closing inventory by ₹ 14,000.

Find opening and closing inventory.