

(6 pages)

MAY 2011

P/ID 77603/PBE1C

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. What is the scope of management accounting?
2. What is the relationship between management, cost and financial accounting?
3. Write a note on capital budgeting process.
4. What is capital expenditure budget?
5. The working capital of XYZ Ltd. has deteriorated in recent years and now stands as under :

| Current Assets | Rs. | Current liabilities | Rs. |
|----------------|----------|---------------------|----------|
| Inventory | 5,60,000 | Creditors | 4,90,000 |
| Debtors | 3,50,000 | Bank loan | 2,10,000 |
| Cash | 70,000 | | |
| | 9,80,000 | | 7,00,000 |

Compute quick ratio.

6. Standard Price Rs. 6 per kg
Actual price Rs. 8 per kg
Standard quantity 1000 kg
Actual quantity used 900 kg
Calculate material usage variance.
7. Distinguish between Absorption costing and Marginal costing.
8. State the basic requisites of a good report.

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Describe the limitations of Management Accounting.
10. “Accounting ratios are mere guides and complete reliance on them in decision-making is suicidal”. Elucidate.

11. Prepare a flexible budget for overheads on the basis of the following data. Ascertain the overhead rates at 50%, 60% and 70% capacity.

| | At 60% capacity |
|---|--------------------|
| | Rs. |
| Variable overheads | |
| Indirect material | 6,000 |
| Indirect labour | 18,000 |
| Semi-variable overheads | |
| Electricity (40% fixed and 60% variable) | 30,000 |
| Repairs (80% fixed and 20% variable) | 3,000 |
| Fixed overheads : | |
| Depreciation | 16,500 |
| Insurance | 4,500 |
| Salaries | 15,000 |
| Total overheads | <u>93,000</u> |
| Estimated direct labour hours | <u>1,86,000</u> |

12. Initial investment Rs. 60,000

Life of the asset 4 years.

Estimated net annual cash flows.

I year Rs. 15,000

II year Rs. 20,000

III year Rs. 30,000

IV year Rs. 20,000

Calculate the internal rate of return.

13. The budgeted and actual sales of a concern manufacturing and marketing a single product are furnished below.

Budgeted sales 10,000 units at Rs. 4 per unit

Actual sales 5,000 units at Rs. 3.5 per unit

 8,000 units at Rs. 4 per unit.

Calculate

(a) Sales price variance and

(b) Sales volume variance

(c) Sales value variance.

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[P.T.O.]

14. Distinguish between Job costing and Process costing.
15. Discuss the importance of the following in relation to marginal costing :
 - (a) BEP
 - (b) Margin of safety
 - (c) Contribution
 - (d) P/V Ratio
16. Explain the different types of reports that are used for the internal management of an enterprise.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. From the following Balance sheets of Sultan & Company for the year ended on 31st Dec. 2008 and

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2009, prepare a statement showing sources and application of funds and schedule of changes in working capital.

| Liabilities | 2008 | 2009 | Assets | 2008 | 2009 |
|---------------------|-----------------|-----------------|---------|-----------------|-----------------|
| | Rs. | Rs. | | Rs. | Rs. |
| Share capital | 4,00,000 | 5,75,000 | Plant | 75,000 | 1,00,000 |
| Creditors | 1,06,000 | 70,000 | Stocks | 1,21,000 | 1,36,000 |
| Profit and Loss a/c | 14,000 | 31,000 | Debtors | 1,81,000 | 1,70,000 |
| | | | Cash | 1,43,000 | 2,70,000 |
| | <u>5,20,000</u> | <u>6,76,000</u> | | <u>5,20,000</u> | <u>6,76,000</u> |