

(6 pages)

**MAY 2012**

**P/ID 6005/MBE**

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Time : Three hours

Maximum : 80 marks

PART A — (8 × 5 = 40 marks)

Answer any EIGHT questions.

All questions carry equal marks.

Each answer should not exceed 1 page.

1. State the importance of management accounting.
2. State the difference between management accounting and cost accounting.
3. What are the techniques available for analysis and interpretation of financial statement?
4. What is accounting ratio? State the solvency ratios.
5. Explain the three major elements of cost.
6. What is a break-even chart? What are its uses and limitations?

7. State the difference between job costing and process costing.
8. Define budgetary control and state its advantages and limitations.
9. State the advantages of Standard Costing.
10. Differentiate between Fund Flow Statement and Cash Flow statement.
11. State the advantages of the Marginal Costing techniques.
12. What are the requisites for a successful budgetary control system?

PART B — (4 × 10 = 40 marks)

Answer any FOUR questions.

All questions carry equal marks.

13. “Management accounting aims at providing financial results of the business to the management for taking decisions”. Explain by bringing out advantages of management accounting.

14. Explain the concept of capital budgeting and its practical utility?
15. Discuss the salient features of process costing. What are the industries for which process-costing method is suitable?
16. From the following forecasts of income and expenditure, prepare a cash budget for the three months commencing 1<sup>st</sup> June, when the bank balance was Rs. 1,00,000.

	Sales	Purchase	Wages	Factory expenses	Admin. and Selling expenses
April	80,000	41,000	5,600	3,900	10,000
May	76,500	40,500	5,400	4,200	14,000
June	78,500	38,500	5,400	5,100	15,000
July	90,000	37,000	4,800	5,100	17,000
August	95,000	35,000	4,700	6,000	13,000

A sales commission of 5 per cent on sales, due two months after sales, is payable in addition to selling expenses. Plant valued at Rs. 65,000 will be purchased and paid for in August, and the dividend for the last financial year of Rs. 15,000 will be paid in July. There is a two-month credit period allowed to customers and received from suppliers.

17. Following information has been made available from the cost records of United Automobiles Ltd. Manufacturing spare parts.

	X	Y
Selling price	Rs. 25	Rs. 20
Direct Materials	Rs. 8	Rs. 6
Direct Wages	: 24 hours at 25 paise per hour for X	
	16 hours at 25 paise per hour for Y	
Variable overheads	150% of wages	
Fixed overheads	Rs. 750	

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.

- (a) 250 units of X and 250 units of Y
- (b) 400 units of Y only
- (c) 400 units of X and 100 units of Y
- (d) 150 units of X and 350 units of Y

18. A work order for 500 units of a commodity has to pass through four different machines of which the machines hour rates are :

No.I	1.25
No.II	3.00
No.III	4.00
No.IV	2.50

The following expenses have been incurred on the work order Materials Rs. 20,000 and wages Rs. 1,500.

Machine I	worked for 200 hours
Machine II	worked for 300 hours
Machine III	worked for 240 hours
Machine IV	worked for 100 hours

After the work order has been executed, material worth Rs. 1,000 were returned to stores.

Office overheads are to be estimated @ 60% of works cost: 10% of the production is going to be discarded, being unsatisfactory for which  $\frac{1}{2}$  the amount can be realized from sale in the junk market. Find out the rate of selling price per unit if 20% profit on selling price is desired.