

(6 pages)

MAY 2013

**P/ID 77603/PBE1C/
PBEXC**

Time : Three hours

Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions.

All questions carry equal marks.

1. Describe the function of management accounting.
2. List out the main tools of management accounting.
3. What are turnover ratios? Discuss their significance.
4. Explain the nature and concept of capital budgeting.

5.

	Rs.
Equity share capital	10,00,000
10% pref. share capital	5,00,000
18% debentures	8,00,000
Loan at 15% (long period)	1,40,000
Current liabilities	3,00,000
General reserve	8,00,000

Find out capital gearing from above particulars.

6. A manufacturing concern, which has adopted standard costing, furnished the follows :

Standard :

Material for 70 kg finished products : 100 kg

Price of materials : Re. 1 per kg

Actual :

Output : 2,10,000 kg

Material used : 2,80,000 kg

Cost of material : Rs. 2,52,000

Calculate

- (a) Material usage variance
(b) Material price variance.
7. How do you estimate working capital requirement?
8. What do you mean by MIS? What are its important elements?

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions.

All questions carry equal marks.

9. Explain the importance of Management accounting as a tool of management decision making.

2 P/ID 77603/ PBE1C/
PBEXC

10. Discuss some of the importance ratios usually worked from financial statement showing how they would be useful to higher management.
11. The following information at 50% capacity is given. Prepare a flexible budget and forecast the profit or loss at 60%, 70% and 90%.

Capacity	Expenses at 50% capacity Rs.
Fixed expenses :	
Salaries	50,000
Rent and taxes	40,000
Depreciation	60,000
Administrative expenses	70,000
Variable expenses :	
Materials	2,00,000
Labour	2,50,000
Others	40,000
Semi-variables :	
Repairs	1,00,000
Indirect labour	1,50,000
Others	90,000

3 **P/ID 77603/ PBE1C/
PBEXC**

It is estimated that fixed expenses will remain constant at all capacities. Semi-variable expenses will not change between 45% and 60% capacity, will rise by 10% between 60% and 75% capacity, a further increase of 5% when capacity crosses 75%.

Estimated sales at various levels of capacity are :

Capacity	Sales (Rs.)
60%	11,00,000
70%	13,00,000
90%	15,00,000

12. From the following information, calculate the break even point and turnover required to earn a profit of Rs. 36,000.

Fixed overhead Rs. 1,80,000

Variable cost per unit Rs. 2

Selling price Rs. 20

If the company is earning a profit of Rs. 36,000, express the margin of safety to it.

13. From the data given below, calculate the material price variance, the material usage variance.

Consumption per unit of product.

Material	Standard	Actual
A	40 units @ Rs. 50 per unit	50 units @ Rs. 50 per unit
B	60 units @ Rs. 40 per unit	60 units @ Rs. 45 per unit

4 **P/ID 77603/ PBE1C/
PBEXC
[P.T.O.]**

14. Explain the term 'variance' under standard costing and discuss its significance.
15. Write a brief note on :
- (a) Margin of safety
 - (b) Angle of incidence.
16. Discuss the importance of a proper system of reports.

PART C — (1 × 20 = 20 marks)

(Compulsory)

17. A Ltd. company is considering the purchase of a new machine which will carry out some operations performed by labour. X and Y are alternative models. From the following information, you are required to perform a profitability statement and work out the pay-back period for each model.

	Model X	Model Y
	Rs.	Rs.
Estimated life	5 years	6 years
Cost of machine	1,50,000	2,50,000
Cost of indirect materials	6,000	8,000

5 **P/ID 77603/ PBE1C/
PBEXC**

	Model X	Model Y
	Rs.	Rs.
Estimated savings in scrap	10,000	15,000
Additional cost of maintenance	19,000	27,000
Estimated saving in direct wages :		
Employers not required	150	200
Wages per employee	600	600

Taxation to be regarded 50% profit before charging depreciation. Which model would you recommend?

6 **P/ID 77603/ PBE1C/
PBEXC**