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The Assam Royal Global University, Guwahati
Royal School of Commerce
B.com, 6th semester
Semester End Examination, June 2024
Course Title: Management Accounting
Course Code : COM042D604

Time: 3 Hours **Maximum Marks: 70**

Note: Attempt all questions as per instructions given.
The figures in the right-hand margin indicate marks.

Section – A

1. Attempt **all questions**. (Maximum word limit 50) **2 x 8**

   a. How Historical Cost Accounting serves as a tool of Management Accounting?
   b. How does inventory control supports Management Accounting?
   c. 'Absorption Costing is the technique of Full Costing'. Explain.
   d. What is Contribution?
   e. How does budgeting differs from budgetary control?
   f. 'The success of budgetary control depends upon co-ordination among different departments.' Explain.
   g. What do you mean by Variance Analysis?
   h. Explain the relevance of material usage variance?

Section – B

2. Attempt **any two** of the following: **6x 2**

   a. "Management accounting and financial accounting are closely related but serve different purposes within an organization." Comment.
   b. Management accounting has certain limitations. What are they?
   c. Describe how the advent of automated environment influences managerial decision making?

3. Attempt **any two** of the following: **7 x 2**

   a. The following data are available from the record of a company:

Sales	Rs 60,000
Variable Cost	Rs 30,000
Fixed Cost	Rs 15,000

   You are required to:
      i. Calculate the P/V Ratio, Break-Even Point and Margin of Safety at this level. 3
      ii. Calculate the effect of 10% increase in sale price. 4

   b. Sale of a product amounts to 200 units per month at Rs. 10 per unit. Fixed overhead cost is Rs. 400 per month and variable cost is Rs. 6 per unit. There is a proposal to reduce prices by 10 per cent. Calculate present and future P/V ratio. How many units he must sold to earn the present total profit?

   c. How does marginal costing overlook the controllability of fixed costs, considering that fixed costs may vary beyond a certain level of activity?

4. Attempt **any two** of the following: **7 x 2**

a. The expenses for the production of 5,000 units in a factory are:

Materials	Per unit Rs. 50
Labour	Per unit Rs. 20
Variable overheads	Per unit Rs. 15
Fixed overheads (Rs. 50,000)	Per unit Rs. 10
Administrative expenses (5% variable)	Per unit Rs. 10
Selling expenses (20% fixed)	Per unit Rs. 6
Distribution expenses (10% fixed)	Per unit Rs. 5
Total cost of sales per unit	Rs. 116

You are required to prepare a flexible budget for the production of 7,000 units.

b. From the following forecasts of income and expenditure, prepare a cash budget for the months January to April, 2024:

	Months	Sales (Credit) Rs.	Purchases (Credit) Rs.	Wages Rs.	Manufacturing expenses Rs.	Administrative expenses Rs.	Selling expenses Rs.
2023	Nov	30,000	15,000	3,000	1,150	1,060	500
	Dec	35,000	20,000	3,200	1,225	1,040	550
2024	Jan	25,000	15,000	2,500	990	1,100	600
	Feb	30,000	20,000	3,000	1,050	1,150	620
	Mar	35,000	22,500	2,400	1.100	1,220	570
	April	40,000	25,000	2,600	1,200	1,180	710

Additional information is as follows:

i. The customers are allowed a credit period of 2 months.

ii. A dividend of Rs. 10,000 is payable in April.

iii. Capital expenditure to be incurred: Plant purchased on 15th of January for Rs. 5,000; a building has been purchased on 1st march and the payments are to be made in monthly installments of Rs. 2,000 each.

iv. The creditors are allowing a credit of 2 months.

v. Wages are paid on the 1st of the next month.

vi. Lag in payment of other expenses is one month.

vii. Balance of cash in hand on 1st January, 2024 is Rs. 15,000.

c. Discuss the steps which are necessary for the successful implementation of a budgetary control system.

5. Attempt **any two** of the following: **7 x 2**

a. 'The usefulness of variance analysis largely depends on how standard costs are established.' Elucidate the statement.

b. A manufacturing concern which has adopted standard costing, furnished the following information:

Standard:	
Material for 70 kg finished products	100 kg
Price of material	Rs. 1 per kg
Actual:	
Output	2,10,000 kg
Material used	2,80,000 kg
Cost of material	Rs. 2,52,000

Calculate:

i. Material cost variance
ii. Material price variance
iii. Material usage variance

c. Explain the factors considered in establishment of Standard Costs.