

END TERM EXAMINATION

Exam Roll No.

THIRD SEMESTER [BBA] NOV.-DEC.-2019

Paper Code: BBA-207

BBA (B&I)-207

Subject: Management Accounting

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions. All questions carry equal marks.

- Q1. "Cost accounting is a system of foresight like pre-natal care, but financial accounting is just a post-mortem examination." Critically examine this statement.
- Q2. Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity.

Capacity Level	70%	80%	90%
Variable overheads:			
Indirect labour			
Indirect materials		12,000	
		4,000	
Semi-variable overheads			
Power (30% fixed)		20,000	
Repairs and maintenance (60% fixed)		2,000	
Fixed overhead:			
Depreciation		11,000	
Insurance		3,000	
Salaries		10,000	
Total overheads		62,000	
Estimated direct labour hours		1,20,000	

- Q3. The standard cost of a certain chemical mixture was:
 40% Materials A at Rs.200 per ton
 60% Materials B at Rs.300 per ton
 A standard loss of 10% is expected in production. During the period the following materials were used:
 90 tons. Materials A at the cost of Rs.180 per ton.
 110 tons. Materials B at the cost of Rs.340 per ton.
 The weight produced was 182 tons of good production.
 Calculate:
 (i) Material price variance
 (ii) Material usage variance
 (iii) Material mix variance
 (iv) Material yield variance

- Q4. X Ltd. manufactures and markets a single product. The following information is available:

	Rs. per unit
Materials-----	8.00
Conversion Costs (variable)-----	6.00
Dealers margin-----	2.00
Selling price-----	20.00
Fixed cost Rs.2,50,000	
Present sales 80,000 units	
Capacity utilization 60 percent	

[P.T.O.]

There is acute competition. Extra efforts are necessary to sell. Suggestions have been made for increasing sales:

- i) By reducing sales price by 5%
- ii) By increasing dealers margin by 25% over the existing rate.

Which of the two suggestions you would recommend if the company desires to maintain the profit? Give reasons.

- Q5. A Ltd. maintains, a margin of safety of 37.5% with an overall contribution to sales ratio of 40%. Its fixed costs amount to Rs.5 Lakhs.

Calculate the following:

- (i) Break-even sales.
 - (ii) Total sales.
 - (iii) Total variable costs.
 - (iv) Current profit.
 - (v) New margin of safety if the sales value is increased by 7½ %.
- Q6. Define Management Accounting. How does it help in effective decision making? Discuss the role and responsibilities of a management accountant in a modern organisation.
- Q7. From the following balance sheets of Exe. Ltd. prepare the statement of sources and use of cash:

Liabilities	2016 (Rs.)	2017 (Rs.)	Assets	2016 (Rs.)	2017 (Rs.)
Equity Share Capital	3,00,000	4,00,000	Goodwill	1,15,000	90,000
8% Red. Pref. Share Capital	1,50,000	1,00,000	Land & Building	2,00,000	1,70,000
General Reserve	40,000	70,000	Plant	80,000	2,00,000
Profit and Loss A/c	30,000	48,000	Debtors	1,60,000	2,00,000
Proposed Dividend	42,000	50,000	Stock	77,000	1,09,000
Creditors	55,000	83,000	Bills Receivable	20,000	30,000
Bills payable	20,000	16,000	Cash in Hand	15,000	10,000
Provision for Taxation	40,000	50,000	Cash at Bank	10,000	8,000
Total	6,77,000	8,17,000		6,77,000	8,17,000

Additional Information:

- (1) Depreciation of Rs.10,000 and Rs.20,000 have been charged on plant and land and buildings, respectively, in 2017.
 - (2) An interim dividend of Rs.20,000 has been paid in 2017.
 - (3) Rs.35,000 income tax was paid during the year 2017.
- Q8. From the following information relating to Wise Limited, you are required to prepare its summarized balance sheet:

- (i) Current Ratio----- 2.5
- (ii) Acid test Ratio----- 1.5
- (iii) Gross profit/ Sales Ratio----- 0.2
- (iv) Net Working Capital/ Net Worth Ratio---- 0.3
- (v) Sales/ Net fixed Assets Ratio ----- 2.0
- (vi) Sales/ Net Worth Ratio----- 1.5
- (vii) Sales/ Debtors Ratio----- 6.0
- (viii) Reserves/ Capital Ratio----- 1.0
- (ix) Net Worth/ Long term Loan Ratio----- 20.0
- (x) Stock Velocity ----- 2 Months
- (xi) Paid up Share Capital----- Rs. 10 lakh
