Vidya Vikas Mandal's
Shree Damodar College of Commerce & Economics, Margao-Goa
TY B.Com, Semester-V, Semester End Examination January 2021
Cost Accounting-DSE -4
Management Accounting

Duration: 2hrs **Max Marks: 80**

Instructions:

1) **Question No. 1 is compulsory.**
2) **Answer any three questions from Question 2 to Question 6.**
3) **Figures to the right indicate maximum marks allocated.**
4) **Working notes should form part of the answer.**

1. Asian ltd provides you the following information @ 80% capacity:

Production and sales units 2,000

Direct materials @ Re.1 p.u

Direct labour @ Re.1 p.u

Direct expense @ Re.0.80 p.u

Factory Overhead 15% variable Re. 2 p.u

Administrative OH 80% fixed 2 p.u

Selling Overhead 25% variable Re. 2 p.u

Total cost Re.8.80 p.u

Profit Re. 1.20 p.u

Selling price10 p.u

Prepare flexible budget at 60% and 90% capacity. **20 marks**

Q.2. A company is considering 2 mutually exclusive proposals X and Y. Proposal X will require an initial cost of Rs. 1,00,000 with no salvage value and will also require an increase in working capital of Rs. 60,000 over its life. The project will generate additional sales of Rs.1,30,000 and will require cash expenses of Rs. 40,000 in each of its five years. It will provide depreciation on Straight Line Method basis. The Earnings Before Tax & depreciation during the five years life are:

Year	1	2	3	4	5
Earnings	70,000	76,000	80,000	9,0000	92,000

The applicable tax rate is 50% and cost of capital is 10%. Examine the acceptability of the project under NPV. **(20marks)**

Q.3A From the following information prepare Cash budget for the months of June and July:

Month	Credit Sales	Credit Purchase	Manufacturing overheads	Selling overheads
April	80,000	60,000	2,000	3,000
May	84,000	64,000	2,400	2,800
June	90,000	66,000	2,600	2,800
July	84,000	64,000	2,000	2,600

Additional Information:

1. Advance tax of Rs 4,000 payable in June and in December 1994.
2. Credit period allowed to debtors is two months.
3. Credit period allowed by the vendors or suppliers is one month.
4. Delay in the payment of other expenses one month.
5. Opening balance of cash on 1st June is estimated as Rs.20,000/- **(10 marks)**

Q.3.B A company is considering expanding its production. It can go with either for an automatic machine costing Rs 2,24,000 with an estimated life of 5 years or an ordinary machine costing Rs 60,000 having life of 8 years. The annual sales and cost estimates are:

	Automatic machine	Ordinary machine
Sales	1,50,000	1,50,000
Materials	50,000	50,000
Labour	12,000	60,000
Variable OH	24,000	20,000

Calculate payback period. Tax rate is 50% **(10 marks)**

Q.4.A The following information has been made available from the accounting records of payment of Star Tools Ltd. for the last six months of 2019 (and of only sales for January 2020. In respect of product X produced by it.

(i) The units to be sold in different months are:

July:	2,200
August:	2,200
September:	3,400
October:	3,800

November:	5,000
December:	4,600
January 2020:	4,000

(ii) There will be no work-in-progress at the end of any month.
(iii) Finished units equal to half the sales for the next month will be in stock at the end of every month (including June 2019)
(iv) Budgeted Production and production costs for the year ending Dec. 2019 are as thus:
Production units: 44,000
Direct materials per unit: Rs.10.00
Direct Wages per unit: Rs. 4.00
Total Factory Overheads apportioned to product: RS. 88,000
Required
It is required to prepare:

(a) Production budget for the last six months of 2019.
(b) Production cost budget for the same period. **(10 marks)**

Q.4.B. State and explain the functions of Management Accounting. **(10 marks)**

Q.5.A. What is Target costing. Explain the merits of Target costing. **(10 marks)**

Q.5.B. Explain the role of Management Accountant. **(10 marks)**

Q.6. Write short notes on any Four of the Following: **(4x5=20marks)**

a) Tools and Techniques of Management Accounting.
b) Traditional methods of Project evaluation.
c) The need of Enterprise Resource Planning.
d) Stages involved in Target costing.
e) Benefits of Enterprise Resource Planning.
f) Classification of Budgets.