FIRST SEMESTER M.Com DEGREE EXAMINATION, NOVEMBER 2021
(Regular/Improvement/Supplementary)

COMMERCE
FMCM1C05-ADVANCED MANAGEMENT ACCOUNTING

Time: 3 Hours   **Maximum Weightage: 30**

Part A: Answer any *four* questions. Each carries *two* weightage.

1. Discuss management accounting as an effective tool of financial control.
2. How is ZBB superior to traditional budgeting?
3. What is sensitivity analysis?
4. B Ltd. has earned net profit of ₹1,00,000 and its overall P/V ratio and margin of safety are 25% and 50% respectively. What is the total fixed cost of the company?
5. What is 'Residual income'?
6. The capacity usage ratio of a production department is 90% and activity ratio is 99%. What is the efficiency ratio?
7. What is CVP analysis?

                                                                (4 × 2= 8 weightage)

Part B: Answer any *four* questions. Each carries *three* weightage.

8. Discuss the four perspectives of balanced score card.
9. What are the reasons for material price and usage variances?
10. Discuss the important KPI's for human resources.
11. Given below are the details taken from the books of a manufacturing concern.
    Variable cost 75% of the sales
    Fixed cost per annum ₹ 8,00,000
    Calculate:
    a) Break even sales
    b) Sales required to earn a profit of ₹7,00,000
    c) Profit made if sales amount ₹50,00,000.

12. T Ltd. is considering Projects X and Y with following information.

Project	Expected NPV ₹	Standard deviation₹
X	2,00,000	1,20,000
Y	3,00,000	1,50,000

    a) Which project will you recommend based on the above data?
    b) Explain whether your opinion will change, if you use Coefficient of Variation as a measure of risk.

13. A machine shop in a factory is working to its full capacity and earning a contribution of 50 per hour. The management receives a high priority order which it wants to execute immediately. Material will be supplied by the customer and the special order will take a minimum of 10 hours. Wages payable will be ₹15 per hour and variable overhead will be 150% of wages. If the customer is prepared to pay ₹800 for the order, should the order be accepted?

                                                                (P.T.O.)

14. Calculate variable overhead variances:

	Budgeted	Actual
Variable overhead ₹	2,75,000	3,08,000
Output in units	25,000	20,000
Working hours	1,25,000	1,10,000

(4 × 3= 12 weightage)

Part C: Answer any *two* questions. Each carries *five* weightage.

15. "Management accounting has been evolved to meet the needs of management." Explain.

16. From the following particulars calculate all sales variances according to Profit method and Value method.

Product	Standard			Actual		
	Quantity (units)	Cost per unit	Price per unit	Quantity (units)	Cost per unit	Price per unit
X	3,000	₹10.00	₹12.00	3,200	₹10.50	₹13.00
Y	2,000	₹15.00	₹18.00	1,600	₹14.00	₹17.00

17. A company has the following estimates of the present values of future cash flows after taxes associated with the investment proposal, concerned with expanding the plant capacity. It intends to use a decision-tree approach to get a clear picture of the possible outcomes of this investment. The plant expansion is expected to cost ₹3,00,000. The respective PVs of future CFAT and probabilities are as follows.

With expansion ₹	Without expansion ₹	Probabilities
3,00,000	2,00,000	0.2
5,00,000	2,00,000	0.4
9,00,000	3,50,000	0.4

Advise the company regarding the financial feasibility of the project.

18. A newly set up manufacturing company is planning to produce a product that will sell for ₹10 per unit. The demand of product is estimated at 10,000 units per year. The company has choice of two machines, each of which has a capacity of producing 10,000 units per year. Machine A would have fixed costs of ₹30,000 per year and would yield a profit of ₹30,000 per year on sale of 10,000 units. Machine B would have fixed costs of ₹18,000 per year and would yield a profit of ₹22,000 per year on sale of 10,000 units. Variable costs behave linearly for both machines. Calculate the volume of sales at which the cost of the two machines will be indifferent.

(2 × 5= 10 weightage)