D1ACM2205 **(3 Pages)** **Name.....**
Reg.No.....

FIRST SEMESTER M.Com DEGREE EXAMINATION, NOVEMBER 2022
(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. What are the duties of management accountants?
2. Write a note on the risk and uncertainty in capital budgeting decisions.
3. Why cost volume profit relationship is important in business management?
4. For the current period fixed expenses are ₹ 3,60,000 with sales of ₹ 12,00,000 and profit of ₹ 2,40,000. If in the next period the company suffered a loss of ₹ 1,20,000, calculate sales volume.
5. What is the aim of responsibility accounting?
6. A chemical is manufactured by combining two standard items of input A (Standard price ₹ 60/kg) and B (Standard price ₹ 45/kg) in the ratio of 3:2. Ten percentage of input is lost during processing. During a month 1,200 kg of the chemical is produced incurring a total cost of ₹ 69,600. Find the material cost variance.
7. What are the advantages of Zero-Based Budgeting?

(4 × 2 = 8 weightage)

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

8. Why do manufacturers use Standard Costs?
9. What are the four perspectives of the balanced score card?
10. What are the objectives of TQM?
11. X Ltd. is considering to start a new project for which it has gathered following data:

NPV	Probability
80,000	0.3
1,10,000	0.3
1,42,500	0.2

Compute the risk associated with the project.

12. The cost of a manufacturing the product is:

	₹
Materials	12.00
Labour	9.00
Variable expenses	6.00
Fixed expenses	18.00
Total	45.00

The unit of product is sold for ₹ 51. The company's normal capacity is 1,00,000 units. The figures given above are for 80,000 units. The company has received an offer for 20,000 units at ₹ 36 per unit from a foreign customer. Advice the manufacturer on

(P.T.O.)

whether the order should be accepted. Also give your advice if the order is from a local merchant.

13. A company with its head office in Kochi has two factories situated at stations D and E. The data relating to the two factories are as under:

	Factory D	Factory E
Contribution margin	40%	50%
Traceable fixed cost	₹ 12,50,000	₹ 10,50,000
Sales	₹ 36,25,000	₹ 19,00,000

The head office expenses amount to ₹ 2,00,000.

Required:

(a) Analyse the data and state which of the factories should be closed down.

(b) If the factory which you have recommended for closure desires to continue operations, what increase in sales target is necessary to justify continuance?

14. Calculate labour variances from the following information:

	Standard	Actual
Number of workers employed	600	550
Average wages per worker per month	25,000	26,400
Number of working days in a month	25	24
Output in units	30,000	28,000

(4 × 3 = 12 weightage)

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

15. "Management accounting provides data but not decisions." Explain.

16. The following information is available from the records of a factory.

	Budget	Actual
Fixed overhead for November	₹ 10,000	₹ 12,000
Production in November	2,000 units	2,100 units
Standard time per unit	10 hours	
Actual hours worked in November		22,000

Compute:

a) Fixed overhead cost variance
b) Expenditure variance
c) Volume variance
d) Capacity variance
e) Efficiency variance

17. ABC Ltd. is evaluating an investment project:
The risk free rate is 10% and the initial investment is ₹ 2,00,000. The annual cash flow and the project life are stochastic exogenous variables with the following distributions:

Annual cash flow		Project life	
Value (₹)	Probability	Value (Years)	Probability
40,000	0.10	5	0.10
45,000	0.20	6	0.15
50,000	0.25	7	0.30
55,000	0.20	8	0.25
60,000	0.15	9	0.15
65,000	0.10	10	0.05

The firm wants to perform 10 manual simulation runs for this project.
Random numbers are 98, 58, 74, 03, 92, 14, 71, 53, 40, 03, 12, 91, 71, 43, 38, 99, 95, 52, 41, 81.

18. A practicing Chartered Accountant now spends ₹ 9 per kilometer on taxi fares for his client's work. He is considering two other alternatives, the purchase of a small car or an old bigger car.
The estimated cost figures are:

	Small car	Old bigger car
	₹	₹
Purchase price	3,50,000	2,00,000
Sale price after 5 years	1,90,000	1,20,000
Repairs and services per annum	10,000	12,000
Taxes and insurance per annum	17,000	7,000
Mileage	10 km	7km

Fuel price is ₹ 35 per unit. He estimates that he travels 10,000 km. annually.

Which of the three alternatives will be cheaper? If his practice expands and he has to go 19,000 km per annum, what should be the decision? At how many km per annum will the costs of the two cases break-even and why? Ignore interest and income-tax.

(2 × 5= 10 weightage)