

**FIRST SEMESTER M.Com DEGREE EXAMINATION, NOVEMBER 2023
(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. How does management accounting differ from financial accounting?
2. What is TQM?
3. Write short note on simulation in capital budgeting.
4. What are the superiority features of EVA?
5. Explain the concept 'make or buy' decisions.
6. Profit ₹ 5,000 (20% of sales), P/V ratio 50%. Find out breakeven volume.
7. Activity ratio of a firm is 80% and capacity ratio is 120%. Find out efficiency ratio.

(4 × 2 = 8 weightage)

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

8. What are the benefits of variance analysis?
9. A company is considering projects X and Y with the following information.

	X	Y
Expected NPV	60,000	2,27,000
Standard deviation	40,000	1,35,000

Which project will you recommend? Will your answer change if you use coefficient of variation as a measure of risk instead of standard deviation? Which measure is more appropriate in this situation?

10. What is a zero based budget and why is it important?
11. A manufacturer has planned his level of production at 50% of his plant capacity of 30,000 units. At 50% of the capacity, his expenses are as follows.

Direct labour	₹ 11,160
Direct materials	₹8,280
Variable manufacturing expenses	₹ 3,960
Fixed expenses	₹ 6,000

The home selling price is ₹ 2 per unit. Now the manufacturer receives a trade enquiry from overseas for 6,000 units at a price of ₹ 1.50 per unit. If you were the manufacturer, would you accept or reject the offer?

(P.T.O.)

12. What is social cost-benefit analysis?
13. A company has capacity of producing 5,00,000 units of a certain product per annum. The sales department reports that the following prices are possible at various levels of production.

Volume of production	Selling price per unit
60%	2.00
70%	1.80
80%	1.60
90%	1.40
100%	1.25

The variable cost of manufacture between these levels is ₹ 0.40 per unit and fixed cost ₹ 4,00,000. At which volume of production will the profit be maximum?

14. Standard price Raw material A ₹ 2 per k.g. Raw material B ₹ 10 per k.g.
 Standard mix (by weight) A: 75% B: 25%
 Standard yield 90%

In a period the actual costs, usages and output were as follows.

Used	2,200 k.g. of A costing ₹4,650. 800 k.g. of B costing ₹7,850
Output	2,850 k.g. of product

Calculate material mix and yield variance.

(4 × 3 = 12 weightage)

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

15. “Any form of accounting which enables a business to be conducted more efficiently can be regarded as Management accounting”. Explain.
16. A Ltd. is considering a proposal for which the following relevant information is provided. Cost of the project is ₹10,000. Life of the project is 5 years. Annual Sales@ ₹30 each, 1400 units. Variable cost per unit is ₹20. Fixed cost other than depreciation is ₹3,000 and depreciation is ₹2000. It is estimated that following variables may take the values given hereunder for different economic conditions.

Variables	Economic situations	
	Pessimistic	Optimistic
Selling price	₹ 20	₹ 50
Number of units sold	800	1,800
Variable cost per unit	₹ 40	₹ 15

Tax rate is 50%. Cost of capital is 10%. Perform the sensitivity analysis with respect to:

- (a) Selling price
 (b) Number of units sold
 (c) Variable cost per unit.

17. From the following data, calculate:

- (a) Efficiency variance
- (b) Capacity variance
- (c) Calendar variance
- (d) Volume variance
- (e) Expenditure variance.

	Budgeted	Actual
Number of working days	20	22
Man-hours per day	8,000	8,400
Output per man-hour in units	1.0	0.9
Overheads (₹)	1,60,000	1,68,000

18. In order to develop tourism, Reliable Airline has been given permit to operate three flights to and fro in a week between station A and station B. The airline operates a single aircraft of 160 seats capacity. The normal occupancy is estimated at 60% throughout the year of 52 weeks. The one way fare is ₹ 7,000. The costs of operation of flights are:

Fuel cost variable	₹ 95,000 per flight
Food served on board on non-chargeable basis	₹ 130 per passenger
Fixed Costs:	
Aircraft lease	₹ 3,50,000 per flight
Crew, landing charges, etc.	₹72,000 per flight
Commission	5% of fare applicable for all bookings

Required:

- (i) Calculate the net operating income per flight.
- (ii) The airline expects that its occupancy will increase to 108 passengers per flight if the fare is reduced to ₹ 6,720. Advise whether the proposal should be accepted.
- (iii) A travel agency firm proposes to charter the aircraft for one return trip (to and fro) in each month on payment of a fixed charge of ₹ 5 lakhs per flight. The travel agency firm will meet the fuel and food costs. Should the airline accept the proposal?

(2 × 5 = 10 weightage)