

FIRST SEMESTER M. Com DEGREE EXAMINATION, NOVEMBER 2024
(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. Define 'Management Accounting' and mention the tools and techniques of management accounting.
2. What do you mean by performance budgeting? How it differs from Activity based budgeting?
3. Describe the concept of 'decision tree analysis'.
4. Define 'variance analysis' and list out its importance.
5. What is 'shut down Point'? How does it assist managerial decision making?
6. Construct a Break Even Chart and indicate necessary figures from the following data: Sales volume: 80,000 units, Sales price ₹ 10 per unit, Fixed cost ₹ 2,40,000, and variable cost ₹ 6 per unit.
7. Do you think the management accountant has a strategic role in an organisation?

(4 × 2 = 8 weightage)

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

8. Define Profit Volume ratio and explain any five uses of PV ratios with suitable illustrations.
9. Describe the concepts of 'Return on Investment', 'Residual Income' and 'EVA' with your own examples.
10. Compare financial accounting and cost accounting with the management accounting.
11. An investment proposal is expected to generate the following cash flows. The respective CE coefficients for each cash flow were also given. Should the project be accepted at the risk free discount rate 12%?

Year	0	1	2	3	4	5
Cash flows	3.00,000	80,000	88,000	1,02,000	85,000	68,000
CE coefficients	-1	0.9	0.6	0.5	0.8	0.7

(P.T.O.)

12. From the following particulars, calculate Variable Overhead Variances.

	Budgeted	Actual
Variable overhead	₹ 2,50,000	₹ 2,60,000
Output in units	25,000	20,000
Working Hours	1,25,000	1,10,000

13. The following data have been obtained from the records of a manufacturing firm.

	Period I	Period II
Sales	₹ 6,00,000	₹ 6,40,000
Total cost	₹ 5,20,000	₹ 5,44,000

Calculate:

1. Break even sales,
 2. Variable costs of both period,
 3. Profit when sales are ₹ 7,20,000, and
 4. Sales required earning a profit of ₹ 20,000.
14. Budgeted and actual sales data for a period relating to two products of SP Ltd., were given here:

	Products	Quantity	Selling price (₹)
Budgeted sales	P	20,000	100
	Q	24,000	200
Actual sales	P	24,000	120
	Q	20,000	180

Calculate sales value variance, sales price variance, and sales quantity variance.

(4 × 3 = 12 weightage)

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

15. Define 'Responsibility Accounting'. Describe the features, requirements, merits and demerits of Responsibility Accounting.
16. A manufacturing company, Goodwill Ltd., annually produces and sells 10,000 units of its product domestically at ₹200 per unit. The company's actual production capacity is 1,000 units per month. The following are the company's cost details.

Direct materials cost: ₹7,00,000
 Direct labor cost: ₹4,00,000
 Variable overheads: ₹3,00,000
 Fixed overheads: ₹4,00,000 per year

Goodwill Ltd. has received an offer from a foreign customer to purchase 2,000 units per annum at ₹120 per unit. The company needs to decide whether to accept this foreign order. The fixed overheads will remain unchanged, and no additional fixed costs will be incurred if the order is accepted. You are required to assist the management of Goodwill Ltd. in:

- 1) Calculating the marginal cost per unit,
 - 2) Determining the impact on profit if the company accepts the foreign order at ₹120 per unit, and
 - 3) Deciding whether the company should accept the foreign order?
17. Vibe Inc. manufactures a product that requires two types of raw materials: Material A and Material B, and involves skilled labour. Below are the standard and actual data for the month of September.

Standards per unit of output

Material A: 4 kg at ₹5 per kg Material B: 6 kg at ₹8 per kg

Standard mix ratio: 40% Material A, 60% Material B

Direct labour: 5 hours per unit at ₹12 per hour

Actual production and usage data:

Units produced: 1,000 units

Materials used: Material A: 3,800 kg costing ₹19,000, Material B: 6,200 kg costing ₹52,700

Labour data: Total labour hours worked: 5,500 hours, Labour cost: ₹68,750 and out of the 5,500 hours, 500 hours were considered idle time.

You are required to calculate relevant material and labour variances.

18. ABC Corporation is evaluating two investment projects, Project X and Project Y, both requiring an initial investment of ₹5,00,000. The cash flows for the next four years (in ₹) for each project are given below, along with their respective probabilities of occurrence.

Year	Project X	Probability (X)	Project Y	Probability (Y)
1	1,00,000	0.25	1,50,000	0.30
2	1,50,000	0.35	2,00,000	0.40
3	2,00,000	0.25	2,50,000	0.20
4	2,50,000	0.15	3,00,000	0.10

Calculate:

1. The standard deviation of cash flows for both Project X and Project Y.
2. The coefficient of variation for each project.
3. The profitability index (PI) for both projects, assuming a discount rate of 10%.
4. Based on your calculations of standard deviation, CV, and PI, advise the company on which project is more suitable for investment, considering both profitability and risk.

(2 × 5 = 10 weightage)