BRAINWARE UNIVERSITY

Course – M.Com

Management Accounting (MCM302)

(Semester – 3)

Time allotted: 3 Hours **Full Marks: 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

10 x 1 = 10

1. *Choose the correct alternatives for the following*

I. The P/V ratio of a product is 0.4 and the selling price is Rs. 40 per unit. The marginal cost of the product would be,
   a. Rs. 8
   b. Rs. 24
   c. Rs. 20
   d. Rs. 25

II. The breakeven point is the point at which,
   a. There is no profit, no loss
   b. Contribution margin is equal to total fixed cost
   c. Total fixed cost is equal to total revenue
   d. All of the above.

III. Which of the following can be used to calculate the materials price variance?
   a. (AQ – SQ) x SP
   b. (AP – SP) x AQ
   c. (AP – SP) x SQ
   d. (AQ – SQ) x AP

IV. The estimated stock at the end of the year is 20,000 units, the budgeted consumption during the year is 1,10,000 units and opening stock of material is 15,000 units. Hence quantity of Materials to be purchased will be
   a. 1,15,000 units,
   b. 1,05,000 units
   c. 1,45,000 units
   d. 1.25.000 units

V. At break even point ------------- is equal to fixed costs.
   a. Sales x P-V ratio
   b. Profit/P-V Ratio
   c. contribution
   d. Fixed cost x P-V Ratio

VI. The P/V Ratio of a company is 50%, this means
   a. When sale is Rs. 100, Contribution is 50
   b. When sale is Rs. 100, Profit is Rs. 50
   c. When sale is Rs. 100, FC is Rs. 50
   d. None

VII. Which of the following is considered as fund inflows
   a. Increase in CA and decrease in CL
   b. Decrease in CA and Increase in current liabilities
   c. Increase in CA and Increase in current liabilities
   d. Decrease in CA and decrease in current liabilities

VIII. Solvency ratio test the
   a. Ability of firm to pay off its debt
   b. Proportion of debt and equity
   c. Potential to earn profit
   d. All of the above

IX. From the industries listed below, choose the one most likely to use process costing in accounting for production costs
   a. Road builder
   b. Automobile repair shop
   c. Newspaper publisher
   d. Electrical contractor

X. Margin of safety is calculated as
   a. Break even sale – Fixed cost
   b. Total sales – Break even sale
   c. Contribution – Fixed cost
   None of the above

Group -B

(Short Answer Type Questions)
(Answer any *three* of the following)

3 x 5 = 15

2. The following information is given for Alpha Corporation

Sales (total revenues) Rs. 3500
Current ratio 1.5
Acid test ratio 1.2
Current liabilities Rs. 1000

What is the inventory turnover ratio?

3. The P. Co. Ltd. has an overall P/V Ratio of 60%. If the variable cost of a product is Rs. 20, what will be its selling price? State the Break-even-point if the fixed cost is Rs. 500000.

4. The material mix variance is Rs. 50000 adverse, the material yield variance is Rs. 20000 favourable, The material rate variance is Rs. 30000 adverse. Calculate Material usage variance and total material cost variance.

5. State the assumptions of marginal costing.

Group - C

(Long Answer Type Questions)

(Answer any *three* of the following)

3 x 15 = 45

6. Input 2000 units
   Output 1800 units

There was no opening stock of work in Progress but there was closing stock of work in progress of 200 units. The degree of completion of closing work in progress is as follow:

Material 100%
Labour 75%
Overhead 50%

Process costs:
Material Rs. 20000
Labour Rs. 13650
Overhead Rs. 6650

Find out equivalent production and prepare process account assuming that there is no process loss. [15]

7. From the following balance sheet of Bangalore Mills Ltd. And the given additional information, prepare a cash flow statement for the year 2012

Liabilities	2011	2012	Assets	2011	2012
Share Capital	70000	80000	Plant & Machinery	62000	66000
Share Premium	9000	11000	Less: Accumulated		
Reserve & Surplus	23820	30820	Depreciation	(37000)	(26000)
7% Mortgage Loan		20000	Building	95000	116000
Creditors	6900	6000	Less: Accumulated		
Outstanding expenses			Depreciation	(43000)	(45000)
Provision for taxation	2000	1400	Land	10000	12000
	1000	1400	Stock	10220	9620
			Debtors	8150	7400
			Prepaid expenses	720	800
			Cash	6180	9800
	112270	150620		112270	150620

Additional information:

a) Plant costing Rs. 16000 (accumulated depreciation Rs. 14800) was sold for Rs. 1200 during the year.

b) Building was acquired during the year at a cost of Rs. 21000.

c) Dividend amounting Rs. 8000 was paid during the year.

d) A sum of Rs. 8000 was transferred during the year to provision for taxation account in 2012. [15]

8. i) The following information is related to ABC Limited.

Particulars	Year 1	Year 2
Sales	Rs. 10000	Rs. 14000
Profit	-----	Rs. 1500
Loss	Rs. 500	-------

Calculate the

i) Fixed Cost

ii) BEP

iii) Profit when sale is Rs. 50000

iv) sales to earn a profit of Rs. 20000.

ii) State the significance of capital intensive production and labour intensive production in decision making process under marginal costing. [10 + 5]

9. Prepare a Balance Sheet from the particulars furnished hereunder

Stock velocity	6
Gross Profit Margin	20%
Capital Turnover Ratio	2
Fixed Asset Turnover Ratio	4
Debt Collection Period	2 months
Creditors Payment Period	73 days

Gross Profit was Rs. 60000; Excess of closing stock over opening stock Rs. 5000. Difference in balance sheet represents Bank Balance. The entire sales and purchases are made on credit basis. [15]