Reg. No. : .....

Code No.: 21085 E **Sub. Code: EMPA 62/ EMBF 62/EMBE 62/ EMCR 62**

B.Com. (CBCS) DEGREE EXAMINATION, APRIL 2026.

Sixth Semester

Professional Accounting – Core

MANAGEMENT ACCOUNTING

(For those who joined in July 2023 onwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Management accounting is also known as _____.

(a) Price level accounting
(b) Historical cost accounting
(c) Financial accounting
(d) Decision accounting

2. Solvency ratio indicate _____.

(a) credit worthiness

(b) activity

(c) profitability

(d) none of these

3. In the fund flow statement, depreciation is

(a) deduction from net profit

(b) added to net profit

(c) a source of working capital

(d) ignored

4. Cash flow includes _____.

(a) cash payment only

(b) cash receipt only

(c) cash receipt and payment

(d) cash and non cash income and expenses

5. One of the most important tools of cost planning is _____.

(a) Budget (b) direct cost

(c) unit cost (d) cost sheet

6. Preparing budget figures for different levels of activity within a range under flexible budgeting is _____.

(a) Formula method

(b) Multi activity method

(c) budget cost allowance method

(d) None of these

7. Material cost variance is due to _____.

(a) Change in material mix

(b) change in price of material

(c) change in quantity used

(d) all of the above

8. One of the primary difference between marginal costing and absorption costing is regarding the treatment of _____.

(a) Prime cost

(b) fixed overheads

(c) variable overheads

(d) direct materials

9. The method of project evaluation that does not consider the full serviceable life of the asset is

(a) pay-back period method

(b) average rate of return method

(c) net present value method

(d) internal rate of return method

10. Present value of net cash inflow Rs. 74,608, initial capital outlay Rs. 64,000. Thus profitability Index would be

(a) 1.71 (b) 1.08

(c) 1.17 (d) 1.10

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) What are the functions of management accounting?

Or

(b) Jerwin manufacturing co. has drawn up the following profit and loss account for the year ended 31st March.

Particulars	Rs.	Particulars	Rs.
To opening stock	26,000	By sales	1,60,000
To purchase	80,000	By closing stock	38,000
To wages	24,000		
To manufacturing expenses	16,000		
To Gross profit c/d	52,000		
	1,98,000		1,98,000
To selling and distribution expenses	4,000	By gross profit b/d	52,000
To administrative expenses	22,800	By compensation for acquisition of law	4,800
To general expenses	1,200		
To value of furniture lost by fire	800		
To Net profit	28,000		
	56,800		56,800

You are required to find out

(i) Gross profit Ratio

(ii) Net profit Ratio

(iii) Operating Ratio

(iv) Operating Net profit to net sales ratio.

12. (a) How does a cash flow statement differ from a fund flow statement?

Or

(b) The following details are available from a company as on 31st December

	2024 (Rs.)	2026 (Rs.)		2024 (Rs.)	2026 (Rs.)
Share capital	70,000	74,000	Cash	9,000	7,800
Debenture	12,000	6,000	Debtors	14,900	17,700
Reserve for doubtful debts	700	800	Stock	49,200	42,700
Trade creditors	10,360	11,840	Land	20,000	30,000
P/L	10,040	10,560	Goodwill	10,000	5,000
	1,03,100	1,03,200		1,03,100	1,03,200

In addition to you are given

(i) Dividend paid total Rs.3,500

(ii) Land purchased for Rs. 10,000

(iii) Amount provided for amortization of goodwill Rs.5,000

(iv) Debentures paid off Rs. 6,000

Prepare cash flow statement.

13. (a) What are the limitations of budgetary control?

Or

(b) From the following information prepare a cash budget for the period from January to April

Months	Expected sales (Rs.)	Expected purchase (Rs.)
January	60,000	48,000
February	40,000	45,000
March	45,000	31,000
April	40,000	40,000

Wages to be paid workers will be Rs. 5,000 per month. Cash balance on 1st January may be assume to be Rs. 8,000.

14. (a) From the following information, compute Price, usage and mix variances.

	Standard			Actual		
	Qty	Price	Total	Qty	Price	Total
Material A	10	3	30	15	4	60
Material B	15	4	60	25	3	75
Material C	25	2	50	35	2	70
	50		140	75		205

Or

(b) Define standard costing? What are the basic requirements of standard costing?

15. (a) Explain the advantages and limitations of pay-back period method.

Or

(b) From the following information calculate the net present value of the two projects and suggest which of the two projects should be accepted. Assuming a discount rate at 10%.

Particulars	Project X	Project Y
Initial investment	Rs 20,000	Rs. 30,000
Estimated life	5 years	5 years
Scrap value	Rs. 1,000	Rs. 2,000

The profit before depreciation and after taxes is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Project X Rs.	5,000	10,000	10,000	20,000	10,000
Project Y Rs.	20,000	10,000	5,000	3,000	2,000
PV factor @10%	0.909	0.826	0.751	0.683	0.621

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b)
Each answer should not exceed 600 words.

16. (a) The following figures related to Arwin traders for the year ended 31st March 2025 Trading and profit and loss a/c

Particulars	Rs.	Particulars	Rs.	Rs.
To Opening stock	75,000	By sales	5,20,000	
To Purchase	3,25,000	Less : return	20,000	5,00,000
To Gross profit	2,00,000	By Closing stock		1,00,000
	6,00,000			6,00,000
To operating expenses	40,000	By Gross profit		2,00,000
To Administration selling	25,000	By Non-operating income		
To Non-Operating expenses		Divided	9,000	
Loss on sale of assets	5,000	Profit sale of shares	11,000	20,000
To Net profit	1,50,000			
	2,20,000			2,20,000

Balance sheet as on 31.3.2025

Liabilities	Rs.	Assets	Rs.
2000 equity shares of Rs.100 each	2,00,000	Land and building	1,50,000
Reserves	90,000	Plants and machinery	80,000

Current liabilities	1,50,000	Stock	1,00,000
Profit and loss a/c	60,000	Debtors	1,40,000
		Cash	30,000
	5,00,000		5,00,000

Calculate (i) Gross profit ratio (ii) Operating ratio (iii) Operating profit ratio (iv) Net profit ratio (v) Expenses ratio (vi) Stock turnover ratio (vii) Return on total resources (viii) Turnover of fixed assets (ix) Turnover to total assets.

Or

(b) Distinguish between financial accounting and management accounting.

17. (a) From the following balance sheet as on 31st December, you are required to prepare fund flow statement for 2025

Balance sheet

Liabilities	2024 Rs.	2025 Rs.	Assets	2024 Rs.	2025 Rs.
Share capital	1,00,000	1,00,000	Good will	12,000	12,000
General reserve	14,000	18,000	Building	40,000	36,000
P/L a/c	16,000	13,000	Plant	37,000	36,000
Sundry creditors	8,000	5,400	Investment	10,000	11,000

Bills payable	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000			
Provision for doubtful debts	400	600	Bills receivable	2,000	3,200
			Debtors	18,000	19,000
			Cash	6,600	15,200
	1,55,600	1,55,800		1,55,600	1,55,800

The following additional information has been given

(i) Depreciation charged on plant was Rs. 4,000 and on building Rs.4,000

(ii) Provision for taxation of Rs. 19,000 was made during 2024

(iii) Interim dividend of Rs.8,000 was paid during 2024

Or

(b) From the following, prepare a cash flow statement:

Balance Sheets as on 31st December

Liability	2024 (Rs.)	2025 (Rs)	Assets	2024 (Rs.)	2025 (Rs)
Share capital	65,000	78,000	Fixed assets	83,000	86,000

Profit loss a/c	4,000	6,500	Stock-in-trade	29,000	37,000
Debentures	30,000	25,000	Cash	8,000	9,000
Creditors for goods	17,000	16,000	Prepaid expenses	1,000	1,500
			Goodwill	1,000	
Bill payable	4,000	5,000			
Outstanding	2000	3,000			
	1,22,000	1,33,500		1,22,000	1,33,500

18. (a) The cost of an article at capacity level of 5,000 units. It is given under A. for a variation of 25% in capacity above or below this level; the individual expenses vary an indicated under B below

	A Rs.		B
Marginal cost	25,000	100%	Varying
Labourcost	15,000	100%	Varying
Power	1,250	80%	Varying
Repair and maintenance	2,000	75%	Varying
Stores	1,000	100%	Varying
Inspection	500	20%	Varying
Depreciation	10,000	100%	Fixed
Administration expenses	5,000	25%	Varying
Selling overheads	3,000	50%	Varying
	62,750		

Cash per unit Rs. 12.55. Find the unit cost of the product under each. Individual expenses and production level of 4000 units and 6000 units.

Or

(b) A company produces a standard product, the estimated cost per unit are as follows: Raw materials – Rs. 400 Wages-Rs. 200: Variable overhead-Rs. 500. The semi variables costs are: Indirect materials Rs. 235 Indirect labor Rs .156 Repairs Rs. 570 The variable costs per unit included in semi – variable are: Indirect materials – Rs. 0.05 Labor – Re. 0.08 and Repairs- Re 0.10 The fixed cost are: factory Rs. 2,000 administration-Rs.3000 selling and distribution- Rs. 5,000.

The above costs are for 70%of normal capacity producing 700 units. The selling price is Rs.10 per unit. Prepare flexible budget for 80% and 100% normal capacities from the above information.

19. (a) A company has prepared the following budget estimates for the year 2024-2025

Sales (units)	15,000
Fixed expenses	Rs.34,000
Sales	Rs.1,50,000
Variable cost	Rs.6 per unit

You are required to

(i) Find the P/V ratio, BEP and margin of safety

(ii) Calculate the revised P/V ratio, BEP and margin of safety in each of the following cases

(1) Decrease of 10% in selling price

(2) Increase of 10% in various costs

(3) Increase of sales volume by 2000 units

(4) Increase of Rs.6000 in fixed cost

Or

(b) The following data is taken out from the books of a manufacturing company:

Budgeted labour composition for producing 100 articles

20 Men @ Rs. 125 per hour for 25 hours

30 women @ 1.10 per hour for 30 hours

Actual labour composition for producing 100 articles 25 Men, Rs. 1.50 per hour for 24 hours

25 Women @ Re. 1.20 per hour for 25 hours

Calculate: (i) Labour Cost Variance, (ii) Labour Rate Variance, (iii) Labour Efficiency Variance, (iv) Labour Mix Variance.

20. (a) A company is considering an investment proposal to install new milling controls. The project will cost Rs 50,000. The facility has a life expectancy of 5 years and no salvage value. The company's tax rate is 55% and no investment allowance is allowed. The firm uses straight line depreciation. The estimated cash flow before tax (CFBT) from the proposed investment proposal is as follows.

Year	1	2	3	4	5
CFBT	10,000	11,000	14,000	15,000	25,000

Compute the following:

(i) Payback period (ii) Average Rate of Return (iii) Internal Rate of Return (iv) Net Present Value at 10% discount rate (v) Profitability Index at 10% discount rate

Year/PV at 10%	Year 1	Year 2	Year 3	Year 4	Year 5
At 6%	0.943	0.890	0.840	0.792	0.747
At 7%	0.935	0.873	0.816	0.763	0.713
At 10%	0.909	0.826	0.751	0.683	0.621

Or

(b) From the following information calculate Pay-back period, Net Present Value and Profitability Index.

The initial cash outlay of a project is Rs. 1,00,000.

Estimated cash inflows:

1st year	-	Rs. 40,000
2nd year	-	Rs. 45,000
3rd year	-	Rs. 40,000
4th year	-	Rs. 20,000

The following are the present value factors @ 10% pa.

Year 1	Year 2	Year 3	Year 4
0.909	0.826	0.751	0.683
