

**FIRST SEMESTER M.A./M.Sc./M.Com. DEGREE EXAMINATION  
DECEMBER 2019**

(CBCSS)

M.Com.

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

**Part A***Answer any four questions.**Each question carries 2 weightage.*

1. Define Management Accounting.
2. What is key Factor ?
3. Write short note on Sales Variances.
4. What is Social Cost Benefit Analysis ?
5. What is Responsibility accounting ?
6. Explain Cost Volume Profit Analysis.
7. What is Simulation technique ?

(4 × 2 = 8 weightage)

**Part B***Answer any four questions.**Each question carries 3 weightage.*

8. Define Performance Measurement. Explain various techniques of Non-Financial Measurement of Performance.
9. A company is considering a proposal to buy one of the two machines to manufacture a new commodity. Each of the machines requires investment of Rs. 50,000 and is expected to provide benefits over a period of 12 years. The firm has made 'pessimistic', 'most likely' and 'optimistic' estimates of the returns associated with each of these alternatives. These estimates are as follows :

	Machine A	Machine B
Cost	Rs. 50,000	Rs. 50,000
Cash flow estimates :		
Pessimistic	8,000	0
Most likely	12,000	10,000
Optimistic	16,000	20,000

Assuming 14 per cent of cost of capital, which project do you consider more risky, and why ?

**Turn over**

10. The following are the estimates for the year 2017-18 relating to a Manufacturing concern :

Sales Unit	...	25,000
Fixed Cost	...	1,20,000
Sales value	...	4,00,000
Variable cost	...	Rs. 8 per unit

You are required to

- (i) Find out 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.
  - a) Increase of 10% in Variable cost.
  - b) Decrease of 10 % in Selling price.
  - c) Increase of Sales volume by 5000 units.
  - d) Increase in Fixed cost by Rs. 15,000.

11. Multiplex Limited is considering a capital project for which the following information is available :

Investment outlay	:	5000
Project Life	:	4 years
Salvage value	:	0
Annual revenues	:	6,000
Annual costs		
(Excluding depreciation, interest and taxes)	:	4,000
Depreciation (for tax purpose)	:	Straight line
Tax rate	:	40%
Debt Equity ratio	:	4:5
Cost of equity	:	18%
Cost of debt (post tax)	:	9 %

Calculate EVA of the Project over its life.

12. Define Overheads. Enumerate the major groups under function wise classification of overheads.
13. The standard cost of material for manufacturing a unit of Product A is estimated as follows :  
15kg. of raw material @ Rs. 1.50 per kg. On the completion of the unit it was found that 20 kg of raw material costing Rs. 2 per kg. has been consumed. Compute Material cost Variance.
14. "Management Accounting is an extension of Financial Accounting". Discuss this statement.

(4 × 3 = 12 weightage)

## Part C

Answer any two questions.

Each question carries 5 weightage.

15. What is standard costing? Write down the steps involved in installation of standard costing.
16. The Delta Corporation is considering an investment in one of the two mutually exclusive proposals. Project A which involves an initial outlay of Rs. 1,70,000 and project B which has an outlay of Rs. 1,50,000. The Certainty Equivalent Approach is employed in evaluating risky investments. The current yield on treasury bills is 0.05 and the company uses this riskless rate. The Expected values of net cash flows with their respective certainty-equivalents are :

Year	Project A		Project B	
	Cash flow (Rs.000)	Certainty equivalent	Cash flow (Rs.000)	Certainty equivalent
1	90	0.8	90	0.9
2	100	0.7	90	0.8
3	110	0.5	100	0.8

- i) Which project should be acceptable to the company?
- ii) Which project is riskier? How do you know?
- iii) If the company was to use the risk-adjusted discount rate method, which project would be analyzed with higher rate?
17. S Ltd operates a system of standard costing in respect of one of its products which is manufactured within a single cost centre, the following information is available :

For one unit of product the standard material input is 20 litres at a standard price of Rs. 2 per litre. The standard wage rate is Rs. 6 per hour and 5 hours are allowed in which to produce one unit. Fixed production overhead is absorbed at the rate of 100% of direct wages cost.

During the month just ended the following occurred :

Actual Price paid for material purchased	...	Rs.1.95 per litre.
Total direct wages cost	...	Rs. 1,56,000
Fixed production overhead incurred	...	Rs. 1,58,000

Turn over

Variations	Favourable (Rs.)	Adverse (Rs.)
Direct material price	8,000	
Direct material cost		5,000
Direct Labour rate		5,760
Direct labour efficiency	2,760	
Fixed production overhead expenditure		8,000

Calculate the following for the month :

- (i) Budgeted output in units.
- (ii) Number of litres purchased.
- (iii) Number of litres used above standard allowed.
- (iv) Actual units produced.
- (v) Actual hours worked.
- (vi) Average actual wage rate per hour.

18. Wonderful woodworks Ltd manufacturers three play articles of wood - chairs, Benches and Tables. The budgeted unit costs and resource requirements of each of these items is given below :

Article	Chair	Bench	Table
Timber Cost	5.00	15.00	10.00
Direct Labour Cost	4.00	10.00	8.00
Variable Overheads Cost	3.00	7.50	6.00
Fixed Overheads Cost	4.50	11.25	9.00
Total Costs	16.50	43.75	33.00
Budgeted Volume per annum	4,000 units	2,000 units	1,500 units
Selling price	20.00	50.00	40.00

The fixed overheads are attributed to the three products on the basis of Direct Labour Hours. The Labour Rate is Rs. 4 per hour and the cost of Timber is 2 per sq.m.

The articles are made from a special grade of timber, the supply of which is restricted to 20,000 sq.m p.a.

The sales Director has already accepted an order for 500 chairs, 100 Benches and 150 Tables, from a Departmental store, which if not supplied would incur a financial penalty of Rs. 2,000. These quantities are included in the market demand estimates shown as budgeted volume per annum.

1. Determine the optimum Production Plan and the Net Profit earned under that plan.
2. Calculate and explain the maximum price that may be paid per sq.m in order to obtain extra supplies of special Timber.

(2 × 5 = 10 weightage)