

**INDIAN MARITIME UNIVERSITY**  
**(A Central University, Government of India)**

**MANAGEMENT ACCOUNTING**  
**SEMESTER – II, SCHOOL OF MARTIME MANAGEMENT**  
**June 2017**  
**SUBJECT CODE: PG21T1202**

**Date: 16.06.2017**

**Time: 3 Hrs**

**Maximum Marks: 75**

**Section - A**

***Answer ALL the question***

**(10X1=10 Marks)**

1. Sales Budget is a
  - a. Functional Budget
  - b. Expenditure Budget
  - c. Master Budget
  - d. Flexible Budget
2. In the case of materials the key factor may be
  - a. In sufficient advertising
  - b. Restrictions imposed by quota
  - c. Low market demand
  - d. High market demand
3. An Organization using ideal standards for standard costing purpose should expect that
  - a. Most variances will be un favorable
  - b. Employees will be strongly motivated to work harder and achieve the standards
  - c. A large incentive bonus will have to be paid.
  - d. A Large salary to be paid
4. Sales value variance is the difference between
  - a. Standard sales and actual sales
  - b. Budgeted sales and actual sales
  - c. Budgeted sales and standard sales
  - d. Standard sales and Budgeted sales
5. Period Cost means
  - a. Variable Cost
  - b. Fixed Cost
  - c. Prime Cost
  - d. Flexible Cost
6. When margin of safety is 20% and PVR is 60% the profit will be
  - a. 30%
  - b. 33.33%
  - c. 12%
  - d. None of these
7. Flaws of the accounting rate of return method include:
  - a. The Choice of accounting hurdle return rate is essentially arbitrary
  - b. Depreciation method has a large impact on the accounting rate of return
  - c. This method makes no adjustment for project risk or for the time value of money
  - d. All of the above
8. The payback method:
  - a. Fails to explicitly consider the time value of money
  - b. Is the amount of time it takes for a project to recoup its profit
  - c. Is the best method for evaluating complex projects
  - d. Is never used by businesses today
9. The budget which commonly takes the form of budgeted P&L a/c and Balance sheet is
  - a. Cash Budget
  - b. Master Budget
  - c. Flexible Budget
  - d. Sales Budget

10. Direct Material Price variance is computed by multiplying the
- Standard rate with the difference between standard quantity and actual quantity of materials
  - Actual quantity with the difference between standard rate and actual rate.
  - Actual rate with the difference between standard quantity and actual quantity of materials
  - Actual quantity with the difference between standard rate and standard quantity.

### Section- B

**Answer any FIVE from the following**

**(5X5=25 marks)**

11. The standard material cost for 100 kg of chemical D is made up of :

Chemical A – 30 Kg @ Rs 4.00

Chemical B – 40 Kg @ Rs 5.00 per Kg and

Chemical C – 80 Kg @ Rs 6.00 per Kg

In a batch, 500 Kg of chemical D were produced from a mix of

Chemical A – 140 Kg at a cost of Rs 588

Chemical B - 220 Kg at cost of Rs 1,056 and

Chemical C – 440 Kg at cost Rs 2,860.

How do the yield, mix and price factors contribute to the variances in actual cost per 100kg of chemical D over the standard cost ?

12. Jamuna Printing Co. Private Limited ended with the following profit and loss during the year 1998:

	(In Lakhs of Rupees)	
Sales		35.58
Less: Expenses: Raw Materials	7.42	
Stores	4.88	
Expenses	20.40	
Interest	2.00	
Depreciation	2.00	
	2.00	36.70
Loss for the year		1.12

The press had been working at 60% capacity during 1998. of the expenses of Rs.20.40 lakhs, 25% is variable.

In 1999 production /sales volume at 80% of capacity is expected to be achieved. Fixed cost is however expected to increase by Rs.1.20 lakhs.

Draw the 1998 Budget.

13. From the following information calculate the BEP and the turnover required to earn a profit of Rs 36,000

Fixed overheads	Rs 1,80,000
Variable cost per unit	Rs 2
Selling price	Rs 20

If the company is earning a profit of Rs 36,000 express the margin of safety available to it.

14. Explain the significance of IRR
15. What are the prerequisites for a Responsibility accounting system?
16. Explain Flexible Budget and Fixed Budget?
17. Explain the advantages of management Accounting.

### Section - C

(4X10=40)

**Question No.18 is compulsory**

**Answer any Three questions of the remaining FIVE questions**

**Answer should not exceed 500 words**

18. Using the information given below compute pay back period under (a) Traditional pay back method and (b) discounted pay back method and comment on the results

Initial outlay					Rs. 80000
Estimated life					5 years
<b>Profit after tax</b>					
End of the year	1	Rs 6000			
	2	Rs 14000			
	3	Rs 24000			
	4	Rs 16000			
	5	Nil			

Depreciation has been calculated under straight line method. The cost of capital may be taken at 20% p.a and the p.v. of Re 1 at 20 % is given below

Year	1	2	3	4	5
P.V.Factor	.83	.69	.58	.48	.40

19. ABC Co. wishes to arrange overdraft facilities with its bankers during the period April to June when it will be manufacturing mostly for stock. Prepare a Cash Budget for the above period from the following data including the extent of bank facilities the company will require at the end of each month:

(a)	Sales Rs	Purchases Rs	Wages Rs
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

(b) 50 per cent of credit sales is realised in the month following the sale and the remaining 50 percent in the second month following. Creditors are paid in the month following the month of purchase.

(c) Cash at bank on 1<sup>st</sup> April (estimated), Rs.25,000.

20. A manufacturing concern which has adopted standard costing furnishes the following information:

Standard:	
Materials for 70 kg of finished products	10 kg
Price of materials	Re 1 per kg
Actual:	
Output	2,10,000 kg
Material used	2,80,000 kg
Cost of Materials	2,52,000

Calculate

(a) Material usage variance, (b) Material price variance, and (c) Material cost variance.

21. “Accounting Ratios are mere guides and complete reliance on them in decision-making is suicidal”-Elucidate

22. Write briefly about Cost volume profit analysis

23. Explain how management Accounting would be useful in Logistic & Shipping Industry.

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