

B.Com. 5th Semester

BCG-503 : MANAGEMENT ACCOUNTING

Time Allowed—3 Hours]

[Maximum Marks—50

Note :— Attempt *five* questions in all, selecting at least *one* question from each section. The **fifth** question may be attempted from any section. All questions carry equal marks.

SECTION—A

1. Explain the nature and scope of Management Accounting.
2. A company supplies the following information :

Balance Sheet

Capital and Liabilities	Rs.
Share Capital	2,00,000
Reserves and Surplus	58,000
Debentures	1,00,000
Creditors	40,000
Bills Payable	20,000
Other Current Liabilities	2,000
	4,20,000

Assets	Rs.
Goodwill	1,20,000
Plant and Machinery	1,50,000
Stock	80,000
Debtors	45,000
Cash	17,000
Misc. Current Assets	8,000
	4,20,000

Sales (credit) for the year = Rs. 4,00,000

Gross Profit = Rs. 1,60,000

Calculate :

- (i) Current ratio
- (ii) Quick or liquid ratio
- (iii) Inventory turnover
- (iv) Average collection period
- (v) Proprietor's funds to liabilities.

SECTION—B

3. What is a fund flow statement ? Explain its uses and significance for management.
4. Highlight the difference between cash flow statement and fund flow statement.

SECTION—C

5. Define C.V.P. analysis. How does it help managers in decision making ? Discuss.
6. LMN Ltd. purchases 20,000 bells per annum from an outside supplier at Rs. 5 each. The management feels that these be manufactured and not purchased. A machine costing Rs. 50,000 will be required to manufacture the item within the factory. The machine has an annual capacity of 30,000 units and life of 5 years. The following additional information is available :

Material cost per bell	Rs. 2.00
Labour cost per bell	Re. 1.00
Variables overheads	100% of labour cost

Suggest whether :

- (a) The company should continue to purchase the bells from outside supplier or should make them in the factory, and
- (b) The company should accept an order to supply 5000 bells to the market at a selling price of Rs. 4.50 per unit.

SECTION—D

7. What is activity based costing ? How is it a refinement over traditional costing ?
8. What is a transfer price ? Explain the various transfer price methods used by organisations.