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Name: .....

Reg. No: .....

**FIRST SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2021**

(CBCSS - PG)

(Regular/Supplementary/Improvement)

**CC19P MCM1 C05 - ADVANCED MANAGEMENT ACCOUNTING**

(Commerce)

(2019 Admission onwards)

Time: 3 Hours

Maximum: 30 Weightage

**Part-A**

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

1. Define management accounting.
2. What is balanced score card?
3. What is Flexible Manufacturing System?
4. What is systematic risk?
5. What is material cost variance?
6. What is capacity utilisation ratio?
7. What is margin of safety?

**(4 × 2 = 8 Weightage)**

**Part-B**

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

8. Explain the scope of management accounting.
9. What are the essentials of an effective responsibility accounting?
10. Explain the differences between ZBB and traditional budgeting.
11. Dell Ltd is considering a new machine. Two alternative proposals are available (X and Y) each costing Rs. 75,000. Cash inflows are expected to be as under:

Year	X	Y
1	30,000	40,000
2	30,000	30,000
3	20,000	20,000
4	10,000	10,000
5	5,000	10,000

The company has a target return on capital of 10%. Risk premium rates are 2% and 7% respectively for machines X and Y. State which project is better.

(1)

**Turn Over**

12. A limited company wants to evaluate two mutually exclusive projects X and Y. The cost of capital is 16%. The management has done the following optimistic, most likely and pessimistic estimates of the annual cash inflows associated with each of the project.

	Project X	Project Y
Initial investment	Rs. 65,000	Rs. 65,000
Estimated cash inflow p.a:		
Pessimistic	20,000	10,000
Most likely	25,000	25,000
Optimistic	35,000	45,000

You are required to help the management in arriving to a decision as to which project is risky.

13. From the following data, calculate activity ratio, efficiency ratio and capacity ratio.

A factory manufactures 2 products A and B. standard time to manufacture product A is 2 hours and product B is 10 hours. The budgeted and actual production in December 2016 were as follows:

	Budgeted production	Actual production
Product A	125 units	100 units
Product B	30 units	24 units

Total actual hours worked were 660.

14. Due to adverse market conditions, a company is expected to operate at 30% of its capacity in the forthcoming year. Its full capacity is 10,000 units. Selling price is ₹25 per unit. Variable cost is ₹ 18. The present fixed cost of the firm is ₹ 60,000. If the firm shuts down its operations, there will be a saving of ₹35,000 in fixed cost and at the same time the firm has to incur additional expenses of ₹ 7,000 for reopening its operations. Calculate the shutdown point and advise the company as to whether it should continue or shut down its operations.

(4 × 3 = 12 Weightage)

**Part-C**

Answer any *two* questions. Each question carries 5 weightage.

15. Explain the various financial and non- financial measures of performance.

16. A limited company is considering the purchase of a new plant requiring a cash outlay of Rs. 500,000. The plant is expected to have a useful life of 2 years without any salvage value. The cash flows and their associated probabilities for the 2 years are as follows:

1 <sup>st</sup> Year	Cash flow	Probability
I	40,000	0.2
II	55,000	0.3
III	75,000	0.5

2<sup>nd</sup> Year: If cash flows in the first year are:

Rs. 40,000		Rs. 55,000		Rs. 75,000	
Cash inflows	Probability	Cash inflows	Probability	Cash inflows	Probability
10,000	0.3	26,000	0.2	38,000	0.3
24,000	0.4	30,000	0.4	50,000	0.5
35,000	0.3	36,000	0.4	60,000	0.2

Assume that cost of capital is 12%. Plot the above data in the form of a decision tree and suggest whether the project should be accepted or not.

17. The standard cost of a chemical mixture is as under:

- 80 tonnes of material A @ ₹40 per tonne
- 120 tonnes of material B @ ₹60 per tonne
- Standard yield is 90% of input

Actual cost for a period is as follows:

- 100 tonnes of material A @ ₹30 per tonne
- 200 tonnes of material B @ ₹68 per tonne
- Actual yield is 265 tonnes

Calculate:

- (a) Material yield variance
- (b) Material usage variance
- (c) Material price variance
- (d) Material mix variance
- (e) Material yield variance

18. Product 'x' can be manufactured either by machine no 1 or by machine no 2. Machine no 1 can produce 10 units of 'x' per hour and machine no 2, 20 units per hour. Total machine hours available are 3,000 hours per annum. Taking into account the following comparative costs and selling price, determine the profitable method of manufacture: -

Per unit of product 'X'

	Machine No 1 (₹)	Machine No 2 (₹)
Direct Materials	30	3
Direct Wages	15	18
Overhead:		
Variable	18	21
Fixed	<u>5</u>	<u>5</u>
Total Cost	<u>68</u>	<u>74</u>
Selling Price	<u>90</u>	<u>90</u>

(2 × 5 = 10 Weightage)

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