FIRST SEMESTER M.Com. DEGREE EXAMINATION, NOVEMBER 2024

(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. What is management accounting?

2. What is EVA?

3. What is revenue centre?

4. What is purchasing power risk?

5. What is a standard cost?

6. What is capacity utilisation ratio?

7. What is cash break even point?

(4 × 2 = 8 Weightage)

Part-B

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

8. Explain the skills required for a management accountant.

9. XYZ Ltd. has three divisions X, Y and Z. The operating results of the three dividions are as follows: Sales in X ₹ 10,00,000, in Y ₹ 10,00,000 and in Z ₹ 20,00,000. Total cost incurred in X ₹ 8,00,000, in Y Rs. 6,00,000 and in Z ₹ 12,00,000. Investment made in X Rs. 6,00,000, in Y ₹ 10,00,000 and in Z ₹ 30,00,000. Determine ROI and RI of the three divisions and rank them on the basis of their performance assuming a cost of capital of 15%.

10. Explain the differences between ABB and traditional budgeting.

11. What are the merits and demerits of risk adjusted discount rate method?

12. Given:

Fixed cost	₹ 1,00,000
Marginal cost	₹ 2 per unit
Current selling price	₹ 3.50 per unit
Output	₹ 50,000 units

Suggest whether the company should sell the product or not.

(1)   **Turn Over**

13. On the basis of the information given below find out which project is riskier according to standard deviation approach:

	Project P		Project Q	
Year	Cash inflows	Probability	Cash inflows	Probability
1	5,000	0.3	2,000	0.2
2	10,000	0.2	12,000	0.3
3	20,000	0.2	10,000	0.4
4	25,000	0.3	20,000	0.1

14. The following information is obtained from a manufacturing company for the month of June 2019:

	Budgeted	Actual
Variable overheads	₹ 25,200	₹ 27,500
Labour hours	11,200	11,000
Production in units	5,600	5,400

Calculate:

1. Variable OH cost variance

2. Expenditure variance

3. Efficiency variance

(4 × 3 = 12 Weightage)

Part-C

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

15. Explain the various financial measures of performance.

16. A manager wants to select one project from three mutually exclusive projects. The net profit of each project are classified as outcome I, II and III. The manager has constructed the following pay off table:

Net profit if outcome turns to be:

Project	I	II	III
X	1,50,000	1,65,000	1,80,000
Y	1,70,000	1,60,000	1,75,000
Z	1,90,000	1,80,000	1,55,000
Probability	0.3	0.5	0.2

Which project should be undertaken?

17. From the following, you are required to calculate:

1. Material cost variance

2. Material price variance

3. Material usage variance.

Quantity of material purchased	3,000 units
Value of material purchased	₹ 9,000
Standard quantity of material required for One tonne of finished product	25 units
Standard price of material	₹ 2 per unit
Opening stock of material	100 units
Closing stock of material	600 units
Finished production during the period	80 tonnes

18. A company that distributes CNG has created a new region as part of its recent reorganisation of its distribution channels. It is considering two proposals for providing a car to its new regional distribution manager.

Proposal A: buy a new car

Proposal B: to take a car on lease from an agency at ₹ 10,000 per month. If this proposal is chosen, the company has to bear fuel charges and taxes. The cost of new car is ₹ 3,80,000. the new cars estimated life is 5 years with a salvage of ₹ 20,000 at the end of its life. Both cars, one hired and one purchased, are expected to give a mileage of 15km per litre of CNG costing ₹ 50. All taxes, including road tax and inter-city toll, are estimated at ₹ 21,000 per annum. Insurance charges for the company's car is 9,000 per annum. The company owned car will further incur an expenditure on repairs and maintenance at ₹ 30,000 per annum and miscellaneous expenses at ₹ 12,000 per annum. The opportunity cost of the average funds employed in the purchase of the new car is 12%. The manager is expected to cover a distance of 60,000 km per annum. Examine the two proposals and advice the company as to which of the two proposals is most beneficial.

(2 × 5 = 10 Weightage)

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