Reg. No. : ....

Code No. : 12049 E **Sub. Code : CMCO 62/ CMBE 62**

B.Com. (CBCS) DEGREE EXAMINATION, APRIL 2025.

Sixth Semester

Commerce — Core

MANAGEMENT ACCOUNTING

(For those who joined in July 2021 & 2022 only)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Which of the following is not a feature of management accounting?

   (a) Future-oriented

   (b) Decision-making tool

   (c) Mandatory for all businesses

   (d) Provides only financial information

2. Ratio analysis is primarily used for which purpose?

(a) To analyze market trends

(b) To evaluate financial statements

(c) To assess employee performance

(d) To create business strategies

3. The fund flow statement is used to analyze which of the following?

(a) Profitability (b) Liquidity

(c) Solvency (d) Financial position

4. Which of the following is considered a source of funds in a fund flow statement?

(a) Decrease in equity capital

(b) Increase in fixed assets

(c) Sale of investments

(d) Payment of dividends

5. Budgetary control is primarily focused on which of the following?

(a) Profit maximization

(b) Cost reduction

(c) Performance evaluation

(d) Future planning and control

6. Which of the following budgets is prepared first?

(a) Production budget (b) Cash budget

(c) Sales budget (d) Overhead budget

7. Which of the following is not an advantage of standard costing?

(a) Simplifies accounting

(b) Assists in cost control

(c) Improves efficiency

(d) Focuses on past data

8. In CVP analysis, the Break-Even Point (BEP) is the point where:

(a) Total cost equals total revenue

(b) Total cost is less than total revenue

(c) Total cost is more than total revenue

(d) Fixed costs equal variable costs

9. Which method of capital budgeting does not consider the time value of money?

(a) Net Present Value

(b) Internal Rate of Return

(c) Payback Period

(d) Discounted Cash Flow

10. The Internal Rate of Return (IRR) is the discount rate that makes:

(a) Net Present Value zero

(b) Profitability Index one

(c) Payback period zero

(d) Accounting Rate of Return zero

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Explain the scope and importance of management accounting in decision-making.

Or

(b) Discuss the role of ratio analysis in evaluating the financial performance of a company.

12. (a) Prepare a Fund Flow Statement from the following data (amounts in Rs.):

	Rs.
Issue of shares	4,00,000
Purchase of machinery	2,50,000
Sale of investments	1,00,000
Increase in working capital	50,000

Or

(b) Prepare a simple Cash Flow Statement (amounts in Rs.) using the indirect method from the following data:

	Rs.
Net Profit	6,00,000
Depreciation	1,00,000
Increase in Debtors	50,000
Decrease in Creditors	30,000

13. (a) Using the following data, prepare a Production Budget:

Expected Sales	10,000 units
Opening Stock	2,000 units
Desired Closing Stock	1,500 units

Or

(b) Prepare a Flexible Budget for the following level of production:

- Production at 70% capacity: 7,000 units
- Fixed Costs: Rs. 2,00,000
- Variable Cost per unit: Rs. 50

14. (a) What are the Advantages of Budgetary control?

Or

(b) Calculate the Break-Even Point (BEP) in units given the following data:

	Rs.
Fixed Costs	5,00,000
Selling Price per unit	200
Variable Cost per unit	100

15. (a) Calculate the Payback Period given the following cash flows:

	Rs.
Initial Investment	10,00,000
Year 1	3,00,000
Year 2	4,00,000
Year 3	3,00,000

Or

(b) Calculate the Net Present Value (NPV) given the following data:

- Initial Investment : Rs. 5,00,000
- Discount Rate : 10%
- Cash Flows : Year 1: Rs. 2,00,000, Year 2:Rs. 2,50,000, Year 3 : Rs.1,50,000

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Discuss the key differences between Management Accounting, Financial Accounting, and Cost Accounting.

Or

(b) Elaborate on the role of Financial Statement Analysis in management's decision-making process.

17. (a) Explain the concept of Fund Flow Statement and its significance in financial management.

Or

(b) Discuss the importance of Cash Flow Statement in understanding the liquidity position of a company.

18. (a) A company has prepared its budget for the next year. Based on the following information, prepare a Flexible Budget for three levels of activity : 70%, 80%, and 90%.

	Rs.
Fixed Costs	4,00,000
Variable Cost per unit	40
Selling Price per unit	100
Capacity at 100%	20,000 units

Or

(b) Based on the following data, prepare a detailed Production Budget and determine the total production required for the quarter:

Expected Sales:	Desired Closing Stock:
January : 20,000 units	January : 10,000 units
February : 25,000 units	February : 12,000 units
March : 30,000 units	March : 14,000 units

Opening Stock (January 1^{st}) : 8,000 units

Production Constraint : The production capacity is limited to 35,000 units per month. Any excess demand must be met by adjusting the production schedule within the quarter.

19. (a) A company manufactures a single product. Using the following data, calculate the Material Price Variance, Material Usage Variance, and the Total Material Cost Variance :

Standard quantity of material per unit :	5 kg
Standard price of material :	Rs. 10 per kg
Actual quantity of material used :	52,000 kg
Actual price of material :	Rs.12 per kg
Actual output :	10,000 units

Or

(b) Calculate the labor efficiency variance, labor rate variance, and total labor cost variance from the following data and analyze their implications for the production department:

- Standard labor hours per unit : 2 hours
- Standard labor rate : Rs.150 per hour
- Actual labor hours worked : 20,500 hours
- Actual total labor cost : Rs. 32,00,000
- Actual output : 10,000 units

20. (a) A company is considering investing in a new project. The initial investment required is Rs. 1,20,00,000. The project is expected to generate the following cash flows over the next 5 years:

	Rs.
Year 1 :	30,00,000
Year 2 :	40,00,000
Year 3 :	45,00,000
Year 4 :	25,00,000
Year 5 :	20,00,000

The company's cost of capital is 10%. Calculate the Net Present Value (NPV), and Profitability Index (PI) of the project. Based on these calculations, should the company invest in the project?

Or

(b) A company is evaluating two mutually exclusive projects, Project A and Project B. Both projects require an initial investment of Rs. 80,00,000. The expected cash inflows are as follows :

Project A	Rs.	Project B	Rs.
Year 1 :	35,00,000	Year 1 :	20,00,000
Year 2 :	35,00,000	Year 2 :	25,00,000
Year 3 :	25,00,000	Year 3 :	35,00,000
Year 4 :	20,00,000	Year 4 :	40,00,000

Assuming a discount rate of 12%, calculate the NPV and Payback Period for both projects. Which project should the company choose based on these criteria?
