BCOE-142 Management Accounting

1. Define Management Accounting. How does it differ from Financial and Cost Accounting?

2. Explain the objectives and functions of Management Accounting.

3. Discuss the role of Management Accountant in decision-making.

4. What is Ratio Analysis? Explain the significance of liquidity, solvency, and profitability ratios.

5. What is the difference between Fund Flow Statement and Cash Flow Statement?

6. What is Contribution, P/V Ratio, Break-Even Point, and Margin of Safety?

7. Define Budget. What are the types of budgets used in management accounting?

8. What is Standard Costing? Explain Material Cost Variance and Labour Cost Variance.

9. Discuss the role of marginal costing in managerial decision making like make or buy, product mix, etc

10. Question: From the following information, calculate the following:

(i) Gross Profit

(ii) Operating Cost

(iii) Profit Before Interest and Taxes (PBIT)

(iv) Profit Before Tax (PBT)

(v) Profit After Tax (PAT)

Particulars	Amount
Gross Sales	3,200
Sales Return (Return Inwards)	200
Opening Inventory (1-04-2022)	300
Purchases	2,100
Purchase Returns	100
Direct Manufacturing Expenses	600
Closing Inventory (31-03-2023)	350
Administrative Expenses	250
Selling & Distribution Expenses	180
Other Operating Income	50
Financial Expenses (Interest Charges)	90
Other Non-Operating Income (e.g., rent recd)	40
Non-Operating Expenses	30
Income Tax Rate	30%

11. From the following data, calculate:

(i) Material Mix Variance

(ii) Material Price Variance

(iii) Material Usage Variance

Material	Standard Quantity (units)	Standard Price	Actual Quantity (units)	Actual Price
A	30	60	40	65
B	70	40	60	42
Total	100 units		100 units	

12. From the following data, prepare an Income Statement under:

(i) Absorption Costing

(ii) Marginal Costing

Particulars	Amount
Direct Material Cost	70,000
Direct Wages	30,000
Variable Overheads	
→ Factory	20,000

Particulars	Amount
→ Administrative and Selling	6,000
Fixed Overheads	
→ Factory	24,000
→ Administrative and Selling	10,000
Sales	2,00,000
Units Produced	5,000 units
Units Sold	4,000 units

Instructions:

1. Under Absorption Costing:
2. Include both variable and fixed factory overheads in the cost of production per unit.
3. Use closing stock valuation for unsold units.
4. Calculate Cost of Goods Sold, then subtract from sales to find profit.
5. Under Marginal Costing:
6. Only variable costs are considered in unit cost.
7. Fixed costs are treated as period costs (i.e., written off fully).
8. Contribution = Sales – Variable Cost → Profit = Contribution – Fixed Costs

13. With the help of the following data, advise the management whether the company should continue buying the component from outside or manufacture it in-house.

Particulars	Buy Option (Current)	Make Option (Proposed)
Sales Revenue	18,00,000	18,00,000
Variable Costs	13,50,000	11,90,000
Fixed Costs	4,00,000	4,50,000

Capital Required	10,00,000	12,00,000

Requirements:

Prepare a comparative income statement under both options (Buy vs Make).
Calculate:
Contribution
Profit

Return on Investment (ROI) = Profit ÷ Capital × 100

Give your recommendation with reasons:

Which is more profitable?

Which uses capital more efficiently?

14. **From the following information, compute shareholder's funds :**

Particulars	Amount		
10% Preference Share Capital	4,00,000	Particulars	Amount
Equity Share Capital	10,00,000	Goodwill	3,00,000
Revenue Reserves	2,00,000	Fixed Assets (including patents ₹50,000)	13,00,000
Capital Reserve	1,00,000	Investments	4,00,000
Securities Premium	2,00,000	Current Assets	5,00,000
12% Debentures	6,00,000	Preliminary Expenses	1,00,000
Current Liabilities	3,00,000	Discount on Issue of Debentures	50,000
Total	28,00,000	Total	28,00,000

Patents of 50,000 are valueless. Freehold land included in Fixed Assets is undervalued by 1,00,000. Goodwill is to be revalued at 2,50,000. Calculate Shareholders' Funds after adjustments.

15. ABC Enterprises provides the following data:

Particulars	Period I	Period II
Sales	60,000	75,000
Total Cost	52,000	59,500

Assumptions:

• Selling price and variable cost per unit remain constant.

• Fixed costs are equal for both periods.

Required Calculations:

1. Profit-Volume (P/V) Ratio

2. Fixed Expenses

3. Break-even Sales

4. Sales required to earn a profit of 15,000

5. Profit when sales are 1,00,000