

# MANAGEMENT ACCOUNTING

Time : Three Hours

Maximum Marks :

[Regular Candidates : 80, Reappear Candidates 90]

**Note :** Attempt **five** questions in all. Question No. 1 is compulsory.

1. (a) Explain the limitations of management accounting.  
(b) What are the objectives of Target Costing ?  
(c) Discuss the advantages of budgetary control.  
(d) How cost sheet is prepared ?  
(e) Differentiate between financial accounting and management accounting.  
(f) Explain the feature of Balance Sheet Card.
2. "The subject of management accounting is very important and useful for optimum utilisation of resources. It is an indispensable discipline for corporate management." Elucidate the statement.
3. The current ratio of a company is 2 : 1. Which of the following suggestions would improve the ratio, which would reduce it and which would not change it :  
(a) To pay a current liability.  
(b) Purchase of fixed asset on credit.  
(c) To sell a car for cash at a slight loss.  
(d) To borrow money for a short time.  
(e) To discount on account receivable.  
(f) Cash collected from customers.
4. "Cost may be classified in a variety of ways according to their nature and information needs of management." Explain and discuss the statement giving examples of classification required for different purposes.



5. Discuss the meaning and features of Activity Based Costing. Discuss the various steps involved in Activity Based Costing system.
6. Explain the possible causes for material price variance and material usage variance in standard costing. What are the remedial measures ?
7. With the following data for a 60% activity, prepare a budget for production at 80% and 100% capacity :
 

Production at 60% capacity	600 units
Material	Rs. 100 per unit
Labour	Rs. 40 per unit
Expenses	Rs. 10 per unit
Factory overheads	Rs. 40,000 (40% fixed)
Administrative Overheads	Rs. 30,000 (60% fixed)
8. A car manufacturing company purchases a meter from the market. The normal intake is 1,00,000 meters per year. The price paid is Rs. 25 each.

A proposal is being considered to make the meters internally. The cost department has provided the following data :

	Rs.
Material per meter	16.00
Labour per meter	5.00

the company recovers overheads at 60% of labour costs. Besides, machinery will be required costing Rs. 2,00,000, its life being 4,00,000 meters in terms of production units. Power will cost 0.40 per meter.