

INDIAN MARITIME UNIVERSITY  
(A Central University, Government of India)

May/June 2016 End Semester Examinations

Master of Business Administration (MBA)  
PORT AND SHIPPING MANAGEMENT  
Second Semester (From 2009 – 2015 batch only)

Management Accounting (PG21T1202)

Date : 09.06.2016

Time: 3 Hrs

Maximum Marks: ~~60~~ 75

Pass Marks : ~~30~~ 38

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SECTION A (12 x 1 = 12 Marks)

*Answer ALL the questions*

1. The Budget that is prepared first of all is
  - a. Cash budget
  - b. Master budget
  - c. Budget for the key factor
  - d. General budget
  
2. An organized creative approach which emphasizes efficient identification of unnecessary cost is known as
  - a. Value analysis
  - b. Quality costing
  - c. Zero-based budgeting
  - d. Activity based costing
  
3. Debt Equity Ratio is a
  - a. Liquidity Ratio.
  - b. Solvency Ratio
  - c. Profitability Ratio
  - d. Current Ratio
  
4. When Current Ratio is 2.5 and working capital is Rs.1 20 000, the current liabilities will be:
  - a. Rs.2 40 000
  - b. Rs.1 60 000
  - c. Rs.1 20 000

- d. Rs.80 000
5. Revenue from sale of products ordinarily is reported as part of the earning in the period
- The sale is made
  - The cash is collected
  - The products are manufactured
  - The planning takes place
6. The comparison of the trend of each item in the financial statements over a number of years or of companies is referred to as:
- Vertical Analysis
  - Horizontal Analysis
  - Funds flow Analysis
  - Cash flow Analysis
7. Ratio of 'Net Sales' to 'Net working Capital' is a
- Working capital turnover Ratio
  - Profitability Ratio
  - Liquidity Ratio
  - Current Ratio
8. Period Cost means
- Variable cost
  - Fixed Cost
  - Prime Cost
  - Production cost
9. Material Yield Variance
- Standard Cost per unit x (Standard Output for Actual Mix-Actual output)
  - Standard Output for Actual Mix x (Standard Output for Actual Mix-Actual output)
  - Actual Output for Standard Mix x (Standard Output for Actual Mix-Actual output)
  - Standard Cost per unit x (Standard Output for Standard Mix-Actual output)
10. Find BEP. Fixed OH Rs 2, 00,000, Variable cost per unit Rs 30, Selling Price per unit Rs 50
- 11,000 UNITS
  - 10,000 UNITS

- c. 1,000 UNITS
  - d. 2,500 UNITS
11. The cash inflows on account of operations are presumed to have been reinvested at the cut-off rate in case of
- a. Pay back method
  - b. Accounting rate of return method
  - c. Discount cash flow method
  - d. Present value index method
12. The three most useful general-purpose financial statements for management are:
- a. Income Statement, Balance Sheet and Statement of Retained Earnings
  - b. Income Statement, Balance Sheet and Statement of Changes in Financial Position
  - c. Balance Sheet, Statement of Retained Earnings and Statement of Funds Flow
  - d. Balance Sheet, Statement of Retained Earnings and Statement of Cash Flow

5 x 5 = 25 marks

**SECTION B (5 x 4 = 20 Marks)**

*Answer any FIVE questions not exceeding 200 words  
All questions carry equal mark*

- 11 13. What is Social responsibility accounting? Explain its objectives.
- 12 14. What is Comparative Financial Statement? Explain
- 13 15. Explain the significance of Flexible Budgeting.
- 14 16. The standard estimate for materials to manufacture 1,000 units of a commodity is 400 kgs., at Rs. 2.50 per Kg. when 2,000 units of the commodity are manufactured, it

is found that 820 kgs. of materials are consumed at Rs. 2.60 per kg. Calculate (a) the Material Cost Variance, (b) the Material Price Variance and (c) the Material Usage Variance.

15 17. The sales turnover and profit during two periods were as follows :

Period 1	Sales	Rs.60,000	Profit	Rs.6,000
Period 2	Sales	Rs.90,000	Profit	Rs. 12,000

Calculate:

- P/V Ratio
- Fixe cost
- Sales required to earn a profit of Rs. 50,000,
- Profit when sales are Rs. 1 lakhs.

16 18. Prepare a production Budget for three months ended March 31, 2014 for a factory producing four products, on the basis of the following information;

( in Units)

Product	Opening Stock	Estimated Sales	Closing Stock
A	32,000	1,00,000	43,000
B	43,000	1,25,000	65,000
C	54,000	1,43,000	43,000
D	43,000	1,22,000	32,000

17 19. Priya & Co is considering 2 mutually exclusive projects. Both require an initial cash outlay of Rs. 10,000 each and have a life of 5 years. The company's required rate of return is 10% and pays tax at a 50% rate. The projects will be depreciated on a straight line basis . the net cash flows before taxes expected to be generated by the projects are as follows:

Project/ year	1	2	3	4	5
Project A	4,000	4,000	4,000	4,000	4,000
Project B	6,000	3,000	2,000	5,000	5,000

Calculate Net present value of each project.

**SECTION C (4 x 10 = 40 Marks)**

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*Question No. 20 is compulsory*

18 20. From the following information, prepare cash budget for the months of January to April.

Months	Expected Sales Rs.	Expected purchases Rs.
January	60,000	48,000
February	40,000	80,000
March	45,000	81,000
April	40,000	90,000

- i. Wages to be paid to workers Rs. 5,000 each month
- ii. Balance at bank on 1<sup>st</sup> January Rs. 8,000.
- iii. In the case of deficit of fund with the limit of Rs. 10,000, arrangement can be made with the bank
- iv. In the case of deficit of fund exceeding of Rs. 10, 000, but within the limit of Rs. 42,000, issue of debentures is to be preferred.

v. In the case of deficit of fund exceeding of Rs. 42, 000, issue of shares is preferred.

19 21. What is Management Accounting? Explain its nature and scope.

20 22. What is Discounted Cash Flow Technique? Why is it significant for a firm?

21 23. Write an essay on Zero-Based Budget and highlight its procedure, norms and superiority over functional budgeting.

22 24. Using the following data, complete the balance sheet below :

Gross Profit ratio	: 20%
Current Ratio	: 1.8:1
Stock turnover ratio	: 4 times
Debt collection period	: 20 days ( 360 days in a year )
Long term debt to equity	: 40%
Total assets turnover	: 0.3 times
Credit sales to total sales	:80%
Gross Profit	: Rs. 1,08,000
Shareholders' equity	: Rs. 12,00,000

Balance Sheet

Liabilities	Rs.	Assets	Rs.
Shareholders' Equity	_____	Fixed Assets	_____
Long Term Debt	_____	Stock	_____
Creditors	_____	Debtors	_____
		Cash	_____

**Q325.** The following details relating to the product X during the month 2008 are available. You are required to compute the material cost variance, price variance, Usage variance and Labour cost variance, rate variance, Efficiency variance and also to reconcile the standard and actual cost with the help of such variances:

**Standard Cost per Unit:**

Material 50kg @Rs. 40 per kg.  
Labour 400 hours @ Re. 1 per hour

**Actual cost for the month**

Material 4,900 kgs @ Rs. 42 kg  
Labour 39,600 hours @ Rs. 1.10 per hour  
Actual production – 100 units.