(T-1008) Roll No. ....................

# ID—202-CU-700411

## M.Com. (5 Years Integrated) EXAMINATION, 2023

(Seventh Semester)

## ACCOUNTING FOR MANAGERS

**Code : MCH-7.01**

*Time* : 3 *Hours* *Maximum Marks* : 80

Before answering the question-paper candidates should ensure that they have been supplied to correct and complete question-paper. No complaint, in this regard, will be entertained after the examination.

**Note** : Attempt *Five* questions in all, selecting *one* question from each Unit. Q. No. 1 is compulsory. All questions carry equal marks.



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1. Explain the following in brief : 8×2=16
   - (a) What do you mean by Marginal Costing ?
   - (b) Standard costing *vs.* estimated costing
   - (c) Define absorption costing.
   - (d) Financial Costing *vs.* Cost costing
   - (e) Types of Budgets
   - (f) Types of Standards
   - (g) Break even Analysis
   - (h) Lease Financing.

### Unit I

2. What is management accounting ? Discuss the role of management accounting in planning, control and decision-making ? 16

3. "Management accounting is nothing else but financial and cost accounting tailored to the requirements of management." Defined or criticize the statement. Give reasons. 16



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## Unit II

4. (a) Discuss behavioural dimensions of budgeting.

(b) Discuss some of the problem that might be created by standards that are set too high and by standards that are too loose

2×8=16

5. A company provides following information for the month of March, 2022. 16

| | Budgeted | Actual |
|---|---|---|
| Output (units) | 30,000 | 32,500 |
| Hours | 30,000 | 33,000 |
| Fixed overheads (Rs.) | 45,000 | 50,000 |
| Variable overheads (Rs.) | 60,000 | 68,000 |
| Working days | 25 | 26 |

Compute the following variances.

(i) Fixed overhead expenditure variance

(ii) Fixed overhead volume variance



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(iii) Variable overhead efficiency variance

(iv) Fixed overhead efficiency variance

(v) Capacity variance

(vi) Calender variance.

## Unit III

6. Why is variable costing better than absorption costing for planning, controlling and evaluation of managerial performance ? 16

7. A cycle manufacturing company has been approached by a large shopkeeper offers to buy 10,000 tyres at Rs. 3,200. Delivery must be made within 30 days. The production capacity of the company is 64,000 units per month and there is inventory of 2,000 tyres. Expected sales at regular prices for the coming month are 60,000 tyres. It is estimated by the sales manager that about 50% of sales lost



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during the month would be made up in later months. Price and cost data per unit are as follows :

| | | Rs. |
|---|---|---|
| Selling price | | 4,800 |
| Variable costs (Rs.) : | | |
| Production | Rs. 2,400 | |
| Selling | Rs. 600 | 3,000 |
| Profit Contribution | | 18,000 |

The variable selling costs on the special order would be Rs. 100 per unit.

*Required* :

(i) Determine whether the offer should be accepted by the firm or not.

(ii) Determine the lowest price that the company could charge on the special order and not reduce its income.

(iii) Suppose now that the shopkeeper offers to buy 8,000 tyres per month at Rs. 3,200 per tyre. The offer would be for an entire year. Expected sales are 60,000 tyres per month without accepting the special order.



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Assume further that there is no beginning inventory and that sales lost during the year would not be made up in the following year; determine whether the offer should be accepted and determine the lowest price that company could accept. 16

## Unit IV

8. At the beginning of 2018 a business enterprise is trying to decide between two potential investement. https://www.haryanastudy.com

**Required** : Assuming a required rate of return of 10% p.a., evaluate the investment proposals under :

(a) Return on investment

(b) Payback period

(c) Discounted payback period

(d) Profitability index.

The forecast details are given ahead :



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| | Proposal A | Proposal B |
|---|---|---|
| Cost of Investment | 2,00,000 | 2,80,000 |
| Life | 4 years | 5 years |
| Scrap Value | Nil | Nil |
| Net Income (After depreciation and tax) | | |
| End of 2018 | 5,000 | Nil |
| End of 2019 | 20,000 | 34,000 |
| End of 2020 | 35,000 | 34,000 |
| End of 2021 | 25,000 | 34,000 |
| End of 2022 | Nil | 34,000 |

It is estimated that each of the alternative projects will require an additional working capital of Rs. 20,000, which will be received back in full after the end of each project.

Depriciation is provided using the straight line method. The present value of Rs. 1 to be received at the end of each year (at 10% p.a.) is shown ahead : **16**



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| Year | P.V. |
|---|---|
| 1 | 0.910 |
| 2 | 0.830 |
| 3 | 0.750 |
| 4 | 0.680 |
| 5 | 0.620 |

**9.** What do you mean by Lease Financing ? Discuss its merits and demerits. What is the difference between a finance lease and an operating lease ? **16**

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