

**Goa Vidyaprasarak Mandal's**  
**GOPAL GOVIND POY RAITURCAR COLLEGE OF**  
**COMMERCE AND ECONOMICS, PONDA – GOA**  
**B.COM. CBCS (SEMESTER-V) EXAMINATION, JANUARY 2021**  
**Management Accounting (DSE4 )**

Duration: 2 hours

Maximum marks : 80

Instructions : 1) Q. 1 is **compulsory**.2) Answer any **THREE** questions from Q.No.2. to Q.No.6.

3) Figures to the right indicate maximum marks.

1. Melody Sweets Ltd. has given the following particulars. You are required to prepare a cash budget for the three months ended 31<sup>st</sup> December 2020. (20)

a)

Month	Sales	Materials	Wages	Overheads
August	70,000	20,600	11,400	5,700
September	80,000	20,000	11,400	6,300
October	80,000	29,400	12,000	6,900
November	75,000	20,000	12,600	7,200
December	90,000	22,400	13,500	7,500

b) Credit terms are as follows:

Sales/debtors – 10% of the sales are on cash basis, 50% of credit sales are collected in the next month and the balance in the second month after sales.

Creditors for materials – 2 months (including month of purchase)

Wages will be paid in the following month.

Overheads – ½ month

c) Cash balance on 1<sup>st</sup> October 2020 is expected to be ` 78,000.

d) A machinery will be installed in August 2020 at a cost of ` 2,00,000. The monthly instalment of ` 15,000 is payable from October onwards.

e) Dividend @ 10% on preference share capital of ` 3,00,000 will be paid on 1<sup>st</sup> November 2020.

f) The company shall receive an advance of ` 50,000 in December, for the sale of a vehicle.

g) Income tax (advance) shall be paid in December ` 18,000.

2. Red Bull Ltd. provides you with the following information of machine “Speedy”.(20)

Purchase price of machinery	` 8,00,000
Installation charges	` 1,00,000
Life of the machine	5 years
Method of depreciation	Straight line
Tax rate applicable	40%
Cost of capital	10%

Year	Earnings Before depreciation and tax `
1 <sup>st</sup> year	2,50,000
2 <sup>nd</sup> year	3,80,000
3 <sup>rd</sup> year	7,10,000
4 <sup>th</sup> year	7,20,000
5 <sup>th</sup> year	9,30,000

Calculate the net present value of cash inflows after taxes (CFAT).

Year	1	2	3	4	5
P.V. Factor at 10%	0.909	0.826	0.751	0.683	0.621

3. A. Relegar manufacturing company submits the following figures. (10)

	Product X	Product Y
First quarter of 2019		
Sales (in units)		
January	25,000	30,000
February	20,000	25,000
March	30,000	35,000
Selling price per unit	` 100	` 200
Target for the first quarter of 2020		
Sales quantity (increase by)	20%	10%
Sales price (increase by)	Nil	10%

Prepare a sales budget for the first quarter of 2020.

B. Dialtone Company Ltd. is considering the purchase of machine X. Following is the information relating to the machine. (10)

Particulars	Machine X
Cost of the machine	` 3,90,000
Installation charges	` 10,000
Working life	5 years
Salvage value	` 40,000
Profit (before depreciation and tax) `	
1 <sup>st</sup> year	90,000
2 <sup>nd</sup> year	1,20,000
3 <sup>rd</sup> year	1,50,000
4 <sup>th</sup> year	1,40,000
5 <sup>th</sup> year	1,80,000

The average rate of income tax may be taken as 40%.

Calculate its Payback period.

4. A. Prepare a flexible budget for 80% and 100% activity level on the basis of the following information. (10)

The information given below relates to 50% capacity	
Production quantity	5,000 units
Raw materials	` 80 per unit
Direct labour	` 50 per unit
Other Variable expenses	` 15 per unit
Factory expenses (50% fixed)	` 50,000
Administrative expenses (60% variable)	` 60,000

- B. Discuss the role and status of the Management Accountant in the Management Accounting System. (10)

5. A. Discuss the steps involved in implementation of Target Costing system. (10)

- B. Explain the various limitations of Management Accounting. (10)

6. Write Short notes on the following (**any four**). (4 x 5 = 20)

- i. Benefits of Target Costing
- ii. Scientific techniques of Capital budgeting
- iii. The need for Enterprise Resource Planning
- iv. Scope of Management Accounting
- v. The Master Budget
- vi. Scope of Enterprise Resource Planning

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