

**Goa Vidyaprasarak Mandal's**  
**Gopal Govind Poy Raiturcar College of Commerce and Economics,**  
**Ponda – Goa**

**T. Y. B.COM. SEMESTER V REGULAR EXAMINATION**  
**CBCS NOVEMBER 2023**  
**MANAGEMENT ACCOUNTING**

**Duration: 2 Hours**

**Marks: 80**

**INSTRUCTIONS:**

1. Q. No. 1 is compulsory.
2. Answer any THREE questions from Q. No. 2 to Q. No. 6.
3. Figures to the right indicate full marks.
4. Working notes should form a part of the answer wherever necessary.

**Q1. Prepare a Cash Budget for the three months ending 30<sup>th</sup> June 2023 from the following information: (20)**

**a.**

<b>Month</b>	<b>Sales</b>	<b>Material</b>	<b>Wages</b>	<b>Overheads</b>
	₹	₹	₹	₹
<b>February</b>	10,000	7,600	2,000	1,700
<b>March</b>	12,000	7,000	2,000	1,700
<b>April</b>	14,000	7,200	2,200	2,000
<b>May</b>	16,000	8,000	2,600	1,900
<b>June</b>	17,000	8,400	3,000	2,200

**b. Credit terms are:**

**Sales and Debtors-** 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month

**Creditors:** Material- 1 month, Wages- ½ month, Overheads- ¼ month

**c. Cash and Bank balance on 1<sup>st</sup> April, 2023 is expected to be ₹ 5,000**

**d. Other relevant information is as follows:**

- i. Plant and Machinery will be installed in February 2023 at a cost of ₹ 85,000. The monthly installment of 2,000 is payable from April onwards.
- ii. Dividend @ 5% on preference share capital of ₹ 1,50,000 will be paid on 1<sup>st</sup> June.
- iii. Advance to be received for sale of vehicles ₹ 7500 in June.
- iv. Advance income tax to be paid in June ₹ 2,000.

**Q2.** Quarterdeck Ltd. provides you with the following information of Equipment “Efficient”. (20)

Purchase price of machinery	Rs. 6,00,000
Installation charges	Rs. 50,000
Life of the machine	5 years
Method of depreciation	Straight line
Salvage value at end	Rs. 50,000
Working capital	Rs. 2,00,000
Working capital will be released at the end of 5 years	
Tax rate applicable	30%
Cost of capital	10%

Year	Earnings Before depreciation and tax (₹)
1 <sup>st</sup> Year	4,00,000
2 <sup>nd</sup> year	4,50,000
3 <sup>rd</sup> year	6,00,000
4 <sup>th</sup> year	5,50,000
5 <sup>th</sup> year	5,80,000

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

Calculate the **Net Present Value** of the machinery.

**Q3. A.** Prepare a **Flexible Budget** on the basis of the following data at 70% and 90% plant capacity levels. (10)

Particulars	80% capacity
Fixed overheads:	
Depreciation	32,000
Insurance	8,000
Variable overheads:	
Indirect labour	26,000
Indirect material	8,000
Semi-Variable overheads:	
Power (30% Fixed)	40,000
Repairs (40% Fixed)	12,000

**Q3. B.** Daniel ltd. is considering the purchase of machine “Quick”. Following is the information relating to the machine. (10)

Particulars	Machine “Quick”
Cost of the machine	₹ 4,00,000
Installation charges	Rs. 1,00,000
Working life	4 years
Salvage value	₹ 20,000
Profit before depreciation and tax	
Year 1	2,00,000
Year 2	2,40,000
Year 3	2,80,000
Year 4	1,60,000

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

Calculate the **Average rate of return (ARR)** of machine “Quick”.

