

Department of Management
School of Management and Business Studies
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B.Com-Semester V
Odd Semester Examination - December 2025

Subject Name: Management Accounting

Max. Marks: 60

Subject Code: BCH-DC-15

Time: 2.5 Hours

*Attempt both sections as per instructions.

Section A - Short Answer

(6 x 4 = 24)

Instructions for Section A: Attempt any Six Questions. All questions carry equal marks

Scenario: A traditional manufacturing firm based in Mumbai has, for decades, focused on Financial Accounting to meet its statutory and Companies Act requirements. A new CEO, aiming to improve operational efficiency, states: "We already have a Chief Accountant who handles our P&L and Balance Sheet. I don't see the need for a separate 'Management Accounting' department. It just sounds like duplicating work."

As a senior financial analyst, write a memo to the CEO addressing this misconception. Your memo must:

Q1: Clearly explain the primary objectives and scope of Management Accounting.

Q2: Differentiate Management Accounting from Cost Accounting, explaining the role each plays.

Q3: Explain the strategic difference between Cost Control and Cost Reduction, and why Management Accounting is essential for implementing both.

Q4: ABC Ltd. sells two products, 'Alpha' and 'Beta', in two territories, North and South. The budgeted sales for the year ending 31st March 2026 are as follows:

North Territory:

- o Alpha: 4,000 units at ₹20 per unit
- o Beta: 3,000 units at ₹40 per unit

South Territory:

- o Alpha: 6,000 units at ₹20 per unit
- o Beta: 5,000 units at ₹40 per unit

Prepare the Sales Budget for the year ending 31st March 2026.

Q5: A company has a fixed budget for 10,000 units.

Variable cost per unit: ₹15

Fixed costs in total: ₹50,000

What would be the total budgeted cost in a fixed budget and a flexible budget if the company actually produced 12,000 units?

Q6: A company manufactures a product "Z". The standard cost card reveals the following for one unit:

Material: 4 kgs @ ₹15 per kg = ₹60

Labour: 2.5 hours @ ₹20 per hour = ₹50

During September, 10,000 units of "Z" were produced. The actual data was as follows:

Material Consumed: 43,000 kgs of material were purchased & consumed at a total cost of ₹6,66,500.

Labour: 24,000 hours were worked at a total wage cost of ₹4,92,000.

Calculate all Material and Labour variances.

Q7: Beta Ltd. provides the following data:

Budgeted Sales: 4,000 units @ ₹50 per unit

Actual Sales: 4,500 units @ ₹48 per unit

Calculate Sales Value, Price, and Volume Variances.

Q8: From the following information, calculate the key marginal costing ratios:

Selling Price per unit: ₹100

Variable Cost per unit: ₹60

Total Fixed Costs: ₹80,000

Calculate: Profit/Volume (P/V) Ratio; Break-Even Point (in units and value); Margin of Safety if actual sales are ₹3,00,000

Q9: A company produces a single product with a variable cost of ₹12 per unit and a normal selling price of ₹25 per unit. The company has excess capacity to produce an additional 5,000 units. A new customer offers to buy 5,000 units for ₹15 each. This special order will not affect regular sales. Should the company accept the offer?

Section B-Long Answer

(3 x 12 = 36)

Instructions for Section B: Attempt any Three Questions. All questions carry equal marks

Q1: a) Prepare a Cash Budget for PQR Ltd. for the three months ending 30th June 2026.

Month	Sales (₹)	Purchases (₹)	Wages (₹)	Expenses (₹)
April	6,00,000	3,60,000	1,10,000	40,000
May	6,20,000	3,80,000	1,20,000	50,000
June	6,50,000	3,70,000	1,15,000	45,000

i. Opening cash balance on 1st April 2026 is ₹50,000.

ii. Credit terms:

Sales: 50% are cash sales. The remaining 50% are collected in the month following the sale.

Purchases: A 1-month credit period is allowed by suppliers.

iii. Delay in payment of wages is 1/2 month and for expenses is 1 month.

iv. A machine will be installed in May for ₹1,50,000, payable in the same month.

Q1: b) A factory is currently working at 50% capacity and produces 5,000 units. The costs are as follows:

Direct Material: ₹50 per unit

Direct Labour: ₹20 per unit

Variable Overhead: ₹10 per unit

Fixed Overhead: ₹1,00,000

Prepare a flexible budget for 60% and 80% capacity levels.

Q2: From the following information, prepare a Cash Budget for July, August, and September.

Month	Sales (₹)	Material Purchases (₹)	Wages (₹)	Overheads (₹)
May	10,00,000	4,00,000	2,00,000	80,000
June	12,00,000	5,00,000	2,20,000	90,000
July	11,00,000	4,50,000	2,10,000	85,000
August	14,00,000	6,00,000	2,40,000	1,00,000
September	15,00,000	6,50,000	2,50,000	1,10,000

Opening cash balance on 1st July is ₹80,000.

20% of sales are for cash. 50% of credit sales are collected in the next month, and the balance in the month following that.

Creditors are paid 2 months after the date of purchase.

Wages are paid in the same month.

Overheads include ₹10,000 depreciation per month. Other overheads are paid in the month after they are incurred.

Advance income tax of ₹50,000 is to be paid in September.

Q3: A company provides the following information:

Budgeted Production: 10,000 units

Budgeted Fixed Overheads: ₹1,50,000

Budgeted Variable Overheads: ₹2,00,000

Budgeted Hours: 50,000 hours

Budgeted Working Days: 25 days

Actual Production: 9,500 units

Actual Fixed Overheads: ₹1,52,000

Actual Variable Overheads: ₹1,95,000

Actual Hours Worked: 48,000 hours

Actual Working Days: 26 days

Explain standard costing & calculate all Fixed and Variable Overhead variances.

Q4: a) The new Finance Manager at a small manufacturing firm is confused by the quarterly profit reports. In Quarter 1 (Q1), the company produced 10,000 units but only sold 8,000 units, reporting a profit of \$50,000. In Quarter 2 (Q2), the company cut back production to 8,000 units but sold 10,000 units (clearing its old inventory). The Q2 reported profit was \$45,000.

The manager is confused, stating: "We had higher sales volume in Q2, but our profit was lower than in Q1. This doesn't make sense."

As the Management Accountant, write a brief explanation addressing the manager's confusion. Your answer must specifically reference the distinctive features of Absorption Costing versus Variable (Marginal) Costing and how they affect income determination² when production and sales levels are different.

Q4: b) Zenith Ltd. manufactures a single product. The following data relates to its operations for the upcoming year:

Selling Price per unit: \$60; Variable Manufacturing Cost per unit: \$25; Variable Selling & Admin Cost per unit: \$5; Total Fixed Costs (Manufacturing & Admin): \$210,000; Budgeted Sales for the year: 12,000 units

Based on the principles of CVP analysis, calculate the following:

1. Contribution Margin per unit and the Profit/Volume (P/V) Ratio.
2. Break-Even Point (BEP) in units and in sales value.
3. Margin of Safety (MoS) in units and as a percentage.
4. The total sales (in units) required to achieve a target profit of \$90,000.

5. If the company decides to reduce its Selling Price by 10% to increase sales volume, what will be the new Break-Even Point (in units)?

Q5: a) A medium-sized manufacturing firm is experiencing declining profitability. The Board of Directors is considering two different strategies proposed by its management team: Cost Control and Cost Reduction.

As a management accountant, you are asked to prepare a brief memo for the Board. Your memo must:

1. Clearly define and differentiate between Cost Control and Cost Reduction.
2. Explain the primary objective and nature of each.
3. Provide one practical, applied example for *each* strategy that the firm could implement to address its profitability problem.

Q5: b) A company produces two products, A and B. The relevant data is as follows:

	Product A	Product B
Selling Price per unit	₹100	₹120
Variable Cost per unit	₹60	₹70
Machine Hours per unit	2 hours	4 hours

Total machine hours available: 2,000 hours. i) What is the most profitable product mix?

ii) If the company has a contract to supply a minimum of 200 units of Product B. What is the most profitable product mix now?

Q6: a) XYZ Ltd. plans to sell the following number of units in the first quarter of 2026:

January: 10,000 units
February: 12,000 units
March: 15,000 units
April: 18,000 units

The company's policy regarding "Finished Goods" stock is as follows:

Closing stock of any month must equal 20% of the next month's estimated sales.

The Opening stock on 1st January 2026 is 2,000 units.

Prepare a Production Budget (in units) for January, February, and March 2026.

Q6: b) Prakash Manufacturing Ltd. has a normal operating capacity of 10,000 units per month. The cost structure at this level is provided as follows:

Cost Element	Cost at 10,000 units (₹)
Prime Cost	
Direct Materials	1,00,000
Direct Labour	80,000
Overheads	
Factory Overheads	60,000 (40% Fixed)
Administration Overheads	40,000 (100% Fixed)
Selling & Dist. Overheads	50,000 (60% Variable)

The selling price is ₹40 per unit.

Prepare a Flexible Budget for 8,000 units and 12,000 units of production, as per the principles of Budgetary Control. Clearly show the profit or loss at each capacity level.