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MCT-052

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EXECUTIVE MBA (EXMBA)

Term-End Examination

December, 2010

MCT-052 : MANAGERIAL ACCOUNTING

Time : 3 hours *Maximum Marks : 100*

Note : *Attempt any **FIVE** questions. All questions carry equal marks.*

1. "The knowledge of accounting data is very essential for decision making." **20**

   In the light of the above statement, state the role played by accounting information in facilitating the decision making in an organisation with respect to :

   (a) Price fixation

   (b) Selection of product mix, and

   (c) Dividend declaration.

2. What do you mean by 'Generally Accepted Accounting Principles' ? State the various accounting concepts that guide the preparation of accounting data with the help of suitable examples. **4, 16**

3. Explain the meaning and objective of 'financial statement analysis'. State the various methods that are used for this purpose. What ratios would you work out to know the short term solvency and profitability of an organisation ? Illustrate your answer. **3, 5, 10, 2**

4. Outline the mechanics of budget preparation in an organisation. How does 'budgetary control' enable a manager to plan as well as control ? What role can 'zero - base - budgeting' play in this regard ? **8, 8, 4**

5. (a) "The effect of a price reduction is to raise the break - even point, reduce the P/V ratio and to shorten the margin of safety." Explain with the help of an example. **6**

   (b) From the following data, compute **14**

   (i) Break - even point

   (ii) P/V Ratio

   (iii) Contribution and

   (iv) Margin of Safety

   (v) Units to be sold to earn profit of Rs. 3 lacs :

   Fixed cost per annum = Rs. 6 lacs

   Variable cost per unit = Rs. 100

   Units sold per annum = Rs. 5,000

   Selling price per unit = Rs. 250/-

6. A manufacturer is thinking whether he should drop one item from his product line and replace it with another. His present cost and output data are : **20**

Product	Selling Price per unit (Rs.)	Variable Cost per unit (Rs.)	Sales Mix
A	60	40	30%
B	100	60	20%
C	200	120	50%

The total sales last year aggregated to Rs. 25 lacs whereas his fixed cost per annum are Rs. 7.5 lacs. He is thinking of dropping the B product and replacing with a new product D. The cost and output data would change as under :

Product	Selling Price per unit (Rs.)	Variable Cost per unit (Rs.)	Sales Mix
A	60	40	50%
C	200	120	40%
D	160	60	10%

It is expected that the sales would increase to Rs. 26 lacs. There would be no change in fixed costs.

Required :

Should the manufacturer accept the new plan ? Give reasons for your answer.

7. How would you define and explain the system of 'activity based costing' ? What major benefits can one expect from following this system in an organisation ? **4, 10, 6**

8. Write short notes on *any Two* of the following : **10, 10**

   (a) IFRS

   (b) FUNDS FLOW STATEMENT

   (c) DEPRECIATION

   (d) INVENTORY PRICING METHODS