



INTERMEDIATE EXAMINATION

PRACTICE TEST PAPER

PAPER – 12

MANAGEMENT ACCOUNTING

TERM – JUNE 2026

SYLLABUS 2022

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)

1. Choose the correct option:

[15 x 2 = 30]

- (i) The main objective of management accounting is \_\_\_\_\_.
- To maintain the accounting records
  - To know the amount due from customers and suppliers
  - To ascertain analyse and interpret the results of business operations
  - To record all the business transactions
- (ii) Where is management accounting applied?
- Small trading organisations
  - NPOs
  - Cooperative societies
  - Large industrial and trading organizations
- (iii) \_\_\_\_\_ is an item for which cost measurement is required e.g. product, job or a customer.
- Cost Object
  - Pool
  - Cost Driver
  - Cost Absorption
- (iv) Cost of maintaining a building is\_\_\_\_\_.
- Unit Level Cost
  - Batch Level Cost
  - Product Level Cost
  - Facility Level Cost
- (v) What will be sales in rupees for desired profit if fixed cost is ₹30,000, desired profit is ₹15,000 and P/V ratio is 30% ?
- ₹1,50,000
  - ₹1,00,000
  - ₹2,00,000
  - None of the above



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PRACTICE TEST PAPER

PAPER – 12

MANAGEMENT ACCOUNTING

TERM – JUNE 2026

SYLLABUS 2022

- (vi) Determine B.E.P in units and amount if Units produced if ₹10,000, Fixed cost is ₹40,000, Selling price is ₹50 per unit and Variable cost us ₹30 per unit.
- ₹40 per unit, ₹2,00,000
  - ₹50 per unit, ₹10,00,000
  - ₹20 per unit, ₹1,00,000
  - None of the above
- (vii) A fixed cost is relevant if it is:
- uncontrollable.
  - avoidable
  - sunk.
  - a product cost.
- (viii) Division under transfer pricing system is treated as \_\_\_\_\_.
- Profit centre
  - System centre
  - Investment centre
  - Cost centre
- (ix) Standard price of material per kg is ₹ 20, standard usage per unit of production is 5 kg. Actual usage of production 100 units is 520 kgs, all of which was purchase at the rate of ₹ 22 per kg. Material cost variance is \_\_\_\_\_.
- ₹ 2,440 (A)
  - ₹ 1,440 (A)
  - ₹ 1,440 (F)
  - ₹ 2,300 (F)
- (x) The setting of standards is:
- A managerial accounting decision.
  - A management decision.
  - A worker decision.
  - Preferably set at the ideal level of performance.
- (xi) Functional budget is subsidiary to \_\_\_\_\_.
- Variable budget
  - Fixed budget
  - Master budget
  - All of the above



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PRACTICE TEST PAPER

PAPER – 12

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TERM – JUNE 2026

SYLLABUS 2022

- (xii) Norton and Kaplan recommend that a separate balanced scorecard be developed for \_\_\_\_\_.
- Each department within the company.
  - Each product line within the company.
  - Each division or business unit with the company.
  - The whole company.
- (xiii) In responsibility accounting the organization is divided into different \_\_\_\_\_ centre
- Responsibility
  - Cost
  - Profit
  - None of these
- (xiv) The maximin criterion is a feature of which of the following?
- Deterministic model
  - Decision-making under uncertainty
  - Optimization
  - Decision-making under certainty
- (xv) The sequence of possible managerial decisions and their expected outcome under each set of circumstances can be represented and analyzed by using \_\_\_\_\_.
- The minimax regret criterion.
  - A decision tree.
  - A payoff matrix.
  - Simulation.

SECTION – B

(Answer any five questions out of seven questions given. Each question carries 14 Marks)

[5 x 14 = 70]

2. (a) The business world has radically changed from what it used to be a few decades ago and accordingly the role of the management accountant has also changed significantly. In this context, illustrate the functions of management accountant in a dynamic business world. [7]
- (b) Hot n Cold, a FMCG company manufactures and sells three flavours of ice cream: Dark chocolate, Chocolate, and Butterscotch. The batch size for the ice cream is limited to 1,000 ice cream based on the size of the fridge and ice cream moulds owned by the company. Based on budgetary projections, the information listed below is available:

**INTERMEDIATE EXAMINATION****PRACTICE TEST PAPER****TERM – JUNE 2026****PAPER – 12****SYLLABUS 2022****MANAGEMENT ACCOUNTING**

Particulars	Dark Chocolate	Chocolate	Butterscotch
Projected sales in units	5,00,000	8,00,000	6,00,000
PER UNIT data: (₹)			
Selling price	80	75	60
Direct materials	20	15	14
Direct labour	4	2	2
Hours per 1000-unit batch:			
Direct labour hours	20	10	10
Fridge hours	1	1	1
Packaging hours	0.5	0.5	0.5

Total overhead costs and activity levels for the year are estimated as follows:

Activity	Overhead costs (₹)	Activity levels
Direct labour		24,000 hours
Fridge	2,10,00,000	1,900 fridge hours
Packaging	1,50,00,000	950 packaging hours

**Required:**

- (i) With the help of traditional system (with direct labour hours as the overhead allocation base), for the Chocolate ice cream, compute the estimated operating profit per thousand ice cream.
- (ii) With the help of Activity Based Costing (ABC) system, for the Chocolate ice cream:
  - I. Calculate the activity cost-driver rate.
  - II. Calculate the estimated overhead costs per thousand ice cream.
  - III. Calculate the estimated operating profit per thousand ice cream.

[7]

3. (a) M/s Srikar Limited provides you the following data for the year ended 31-03-2024:

Particulars	Amount (in ₹)
Selling Price Per Unit	200
Raw Material Cost Per Unit	100
Direct Labour Per Unit	30
Variable & Fixed Overhead Cost	1,00,000

M/s Srikar Limited sold 2000 units in 2024-25. In 2025-26, the selling price per unit will remain the same. Direct wage rate will increase by 20% and fixed cost will decrease by ₹6000. If 3,000 units are sold in 2025-26, the total Variable & Fixed Overhead will be ₹1,14,000.



## INTERMEDIATE EXAMINATION

### PRACTICE TEST PAPER

TERM – JUNE 2026

### PAPER – 12

SYLLABUS 2022

### MANAGEMENT ACCOUNTING

**You are required to:**

- (i) Calculate the profit per unit in 2024-25.  
(ii) Also calculate the units to be sold in 2025-26 to earn same amount of profit per unit as in 2024-25.

[7]

- (b) A company is organized into two divisions, namely X and Y, and produces three products A, B and C. Data per unit are:

	A	B	C
Market price (₹)	240	230	200
Variable costs (Rs)	168	120	140
Direct Labour (hours)	4	5	3
Maximum sales potential (units)	1600	1000	600

Division Y has a demand for 600 units of product B for its use. If Division X cannot supply the requirement, Division Y can buy a similar product from market at ₹ 224 per unit.

Critically assess the situation and Advise the management, what should be the transfer price of 600 units of B for Division Y, if the total direct labour hours available in Division X are restricted to 15000? [7]

4. (a) A company has annual fixed cost of ₹14,00,000. In 2023 sales amounted to ₹ 60,00,000 as compared with ₹ 45,00,000 in 2022 and profit in 2023 was ₹ 4,20,000 higher than in 2022.

Calculate:

- i. At what level of sales does the company break-even?  
ii. Demonstrate profit or loss on a precast sales volume of ₹ 85,00,000.  
iii. If there is a reduction in selling price in 2024 by 10% and the company desires to earn the same profit as in 2023, what would be the required sales volume? [7]

- (b) PIECO Ltd. having an installed capacity of 1,00,000 units of product is currently operating at 70% utilization. At current levels of input prices, the unit costs (after taking credit for applicable export incentives) work out as follows:

Capacity utilization (%)	Unit costs (₹)
70	97
80	92
90	87
100	82

The company has received three foreign offers from different sources as under:

Source A: 5,000 units at 55 per unit.

Source B: 10,000 units at 52 per unit.

Source C: 10,000 units at 51 per unit.

Examine whether the company should accept any or all of the export orders or not.

[7]



## INTERMEDIATE EXAMINATION

### PRACTICE TEST PAPER

TERM – JUNE 2026

### PAPER – 12

SYLLABUS 2022

### MANAGEMENT ACCOUNTING

5. (a) WESTLAND LTD., a manufacturing company, operates standard costing system and showed the following data in respect of the month of May 2025:

Budgeted		Actual	
Working days	20	Working days	22
Man hours	4000	Man hours	4200
Fixed overhead cost (₹)	2400	Fixed overhead cost (₹)	2500
Output (units)	800	Output (units)	900

You are required to calculate the following Fixed overheads variances:

- (i) FOH Budget Variance
- (ii) FOH Cost Variance
- (iii) FOH Efficiency Variance
- (iv) FOH Capacity Variance
- (v) FOH Calendar Variance
- (vi) FOH Volume Variance

[7]

- (b) One kilogram of product 'K' requires two chemical A and B. The following were the details of product 'K' for the month of June 2025:

- i. Standard mix ratio is 1:1
- ii. Standard price per kilogram of chemical 'A' ₹ 12 and chemical 'B' ₹ 15.
- iii. Actual input of chemical 'B' 70 kilograms
- iv. Actual price per kilogram of Chemical 'A' ₹ 15
- v. Standard normal loss 10% of total input.
- vi. Materials cost variance total ₹ 650 adverse and the same was fully attributable to Chemical 'B'.
- vii. Materials yield variance total ₹ 135 adverse.

Required:

Calculate all missing variances and complete the Variance Report.

[7]

6. (a) SBT LTD., a newly established manufacturing company, has an installed capacity to produce 100000 units of a consumer product annually. However, its practical capacity is only 90%.

The actual capacity utilization may be substantially lower, as the firm is new to the market and the demand is uncertain.

The following budget has been prepared for 90% capacity utilization.

Particulars	Cost per unit (₹)
Direct Materials	12
Direct Labour	8



## INTERMEDIATE EXAMINATION

### PRACTICE TEST PAPER

TERM – JUNE 2026

### PAPER – 12

SYLLABUS 2022

### MANAGEMENT ACCOUNTING

Direct Expenses	5
Production Overheads	10 (40% Variable)
Administrative Overheads	5 (100% Fixed)
Selling and Distribution	6 (50% Variable)

Prepare the budgets at 70% and 80% levels of capacity utilization giving clearly the:

- (i) Unit Variable Costs
- (ii) Unit Fixed Cost
- (iii) Total Cost under various heads at all the above levels.

[7]

(b) Summarised below are the revenue and expenditure figures of AB Ltd. for the month of March to August, 2025:

Month	Sales (₹)	Purchases (₹)	Wages (₹)	Expenses (₹)
March	6,50,000	4,00,000	1,20,000	50,000
April	7,00,000	4,80,000	1,50,000	50,000
May	7,50,000	4,50,000	1,50,000	60,000
June	8,00,000	4,80,000	1,80,000	60,000
July	8,20,000	4,00,000	1,80,000	80,000
August	8,90,000	5,00,000	2,00,000	80,000

The following further information is available:

- (i) 10% Purchases and sales are on cash basis.
- (ii) Advance payment of income tax in August, 2025 ₹ 50,000.
- (iii) Plant purchased and price to be paid in June, 2025 ₹ 1,00,000.
- (iv) Time lag-

Credit sales	2 months
Credit purchases	1 month
Wages	½ month
Expenses	½ month

Required:

Prepare a Cash Budget for 3 months starting on 1st June, 2025 when cash balance is ₹ 2,00,000. [7]

7. (a) Sandip Corporation has three divisions whose income statements and balance sheets are unmarised below:

Division	X	Y	Z
Sales	₹10,00,000	(iv)	(vii)
Operating Income	₹50,000	₹ 60,000	₹ 10,000
Operating Assets	₹2,00,000	(v)	₹ 5,00,000
Asset Turnover	(i)	(vi)	0.5
Margin	(ii)	0.5%	4%
ROI	(iii)	2.5%	2%



**INTERMEDIATE EXAMINATION**

**PRACTICE TEST PAPER**

**PAPER – 12**

**MANAGEMENT ACCOUNTING**

**TERM – JUNE 2026**

**SYLLABUS 2022**

- Calculate the missing values through (i) to (vii) in the table above. [7]
- (b) Explain the difficulties with Balanced Scorecard for measuring Performance. [7]
8. (a) Explain the meaning of decision-making under conditions of certainty. [7]
- (b) Explain the significance of identifying responsibility centres in responsibility accounting. [7]