**INTERMEDIATE EXAMINATION** **SET 1**

**MODEL QUESTION PAPER** **TERM – DECEMBER 2025**

**PAPER – 12** **SYLLABUS 2022**

**MANAGEMENT ACCOUNTING**

**Time Allowed: 3 Hours** **Full Marks: 100**

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

## SECTION – A (Compulsory)

**I. Choose the correct option:** **[15 x 2 = 30]**

**(i)** Creation of value through effective use of resources is the focus area of the _____.

a. 1st stage
b. 2nd stage
c. 3rd stage
d. 4th stage

**(ii)** Which personnel of a financial firm play a key role in management accounting?

a. Investors
b. Suppliers
c. Managers
d. Customers

**(iii)** Activity based cost systems would probably provide the greatest benefits for organizations that use_____.

a. Job order costing
b. Process costing
c. Standard costing
d. Historical costing

**(iv)** Which of the following activities is not a batch level activity?

a. Processing purchase order
b. Designing products
c. Receive raw materials from suppliers
d. Setting up equipment

**(v)** Determine sales in rupees for desired profit if fixed cost is ₹10,000, Variable cost is ₹30,000, Sales is ₹50,000 and desired profit is ₹5,000:

a. ₹73,500
b. ₹75,000
c. ₹5,000
d. ₹37,500

**(vi)** For the coming year, a manufacturing company has budgeted as under:
Contribution/Sales (C/S) Ratio = 45%
Margin of Safety Ratio = 33½ %
Fixed Costs = ₹ 5, 85,000. Determine Profit for the coming year.

a. ₹3,25,000
b. ₹2,92,500
c. ₹3,00,000
d. ₹2,50,000

**(vii)** A company has a break-even point when sales are ₹ 3,20,000 and variable cost at that level of sales are ₹2,00,000. How much would contribution margin increase or decrease if variable expenses are dropped by ₹30,000?

a. Increase by 27.5%.
b. Increase by 9.375%.
c. Decrease by 9.375%.
d. Increase by 37.5%.

**(viii)** Which of the following is/ are not method of Transfer Pricing?

a. Total cost method
b. Marginal cost method
c. Market price method
d. Skimming price method

**(ix)** XYZ factory working for 50 hours per week employs hundred workers on a job work. The standard output is 200 units per gang hour and standard rate is ₹ 1 per hour. During a week in June, five employees were paid @ ₹ 1.20 per hour and ten employees were paid @ 80 paise per hour. Rest of the employees was paid @ standard hour rate. The actual number of units produced was 10,200. Determine labour cost variance:

a. ₹100 favourable
b. ₹150 unfavourable
c. ₹150 favourable
d. ₹100 unfavourable

**(x)** What is the labour rate variance if standard hours for 100 units of output are 400 @ ₹2 per hour and actual hours taken are 380 @ ₹2.25 per hour?

a. ₹120 (A)
b. ₹100 (A)
c. ₹95 (A)
d. ₹25 (F)

**(xi)** Purchase budget is prepared using the information from –

a. Capital Expenditure Budget
b. Material Budget
c. Both A and B
d. None of the above

**(xii)** Which of the following is not one of the main parts of the Kaplan-Norton balanced scorecard concept?

a. Financial and non-financial measurements.
b. Cash flows and non-cash flows.
c. Short term and long term measurements.
d. Leading and lagging indicators.

**(xiii)** There are three departments A, B and C in a company. The sales of A, B and C are ₹ 3, 52,000, ₹2, 88,000 and ₹ 1, 60,000, respectively. The variable costs of A, B and C are ₹ 2, 40,000, ₹1, 76,000 and ₹ 1, 44,000 respectively. The direct fixed costs of A, B and C are ₹ 28,000, ₹ 22,400 and ₹12,800. Rank the different departments on basis of relative profitability.

a. A- Rank 3, B- Rank 1 and C- Rank 2
b. A- Rank 2, B- Rank 1 and C- Rank 3
c. A- Rank 3, B- Rank 2 and C- Rank 1
d. Insufficient data

**(xiv)** Circumstances that influence the profitability of a decision are referred to as:

a. Strategies
b. A Payoff matrix
c. State of nature
d. The marginal utility of money

**(xv)** A strategy that yields an expected monetary payoff of zero is called:

a. Risk- neutral strategy
b. Fair game
c. Zero-sum game
d. Certainty equivalent

**Section – B**

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

**[5 x 14 = 70]**

**2.** **(a)** Describe the role and scope of management accounting with examples of its applications in business operations. [7]

**(b)** A manufacturing company has three accounts clerks responsible for processing purchase invoices of suppliers. Each clerk is paid a salary of ₹1,50,000 per annum and is capable of processing 5,000 purchase invoices per year. In addition to the salary, the company spends ₹45,000 per year for printing of forms, postage etc. (assuming that 15,000 purchase invoices are processed). During the year, 12,500 purchase invoices were processed. You are required to:

a. Calculate the activity rate for the purchase order activity. Break the activity rate into fixed and variable components.
b. Calculate the total activity availability and break this into activity usage and unused activity.
c. Calculate the total cost of resources supplied and break this into activity usage and unused activity.

[7]

**3.** **(a)** A Company is manufacturing a product marks an average net profit of ₹ 2.50 per piece on a selling price of ₹ 14.30 by producing and selling 6,000 pieces or 60% of the capacity. His cost of sales is as under:

| Particulars | ₹ |
|---|---|
| Direct material | 3.50 |
| Direct wages | 1.25 |
| Works overheads (50% fixed) | 6.25 |
| Sales overheads (25% variable) | 0.80 |

During the current year, he intends to produce the same number but anticipates that fixed charges will go up by 10%, with direct labour rate and material will increase by 8% and 6% respectively but he has no option of increasing the selling price. Under this situation, he obtains an offer for further 20% of the capacity. Calculate the minimum price you will recommend for acceptance to ensure the manufacturer an overall profit of ₹ 16,730 . [7]

**(b)** BC Company fixes the inter-divisional transfer prices for its products on the basis of cost, plus a return on investment in the division. The Budget for Division for Alpha for the year 2025-26 appears as under:

| | |
|---|---|
| Fixed Assets | ₹5,00,000 |
| Current assets | ₹3,00,000 |
| Debtors | ₹2,00,000 |
| Annual Fixed Cost of the Division | ₹8,00,000 |
| Variable Cost per unit of Product | ₹10 |

Budgeted Volume 4,00,000 units per year
Desired ROI 28% on ₹10,00,000
Calculate the transfer Price for Alpha. [7]

**4.** **(a)** A company engages in three distinct lines of production. Their production cost per unit and selling prices are as under:

| Production (Units) | X | Y | Z |
|---|---|---|---|
| | 3,000 | 2,000 | 5,000 |
| | ₹ | ₹ | ₹ |
| Material Cost | 18 | 26 | 30 |
| Wages | 7 | 9 | 10 |
| Variable overheads | 2 | 3 | 3 |
| Fixed Overheads | 5 | 8 | 9 |
| | 32 | 46 | 52 |
| Selling price | 40 | 60 | 61 |
| Profit | 8 | 14 | 9 |

The management wants to discontinue one line and gives you the assurance that production in two other lines shall be raised by 50%.

They intend to discontinue the line which produces Article X as it is less profitable.

(i) Do you agree to the scheme in principle? Examine.

(ii) Analyze the decision of the management and show the necessary statements to support your decision. [7]

**4.** **(b)** A company is at present working at 90 per cent of its capacity and producing 13,500 units per annum. It operates a flexible budgetary control system. The following figures are obtained from its budget.

| Particulars | 90% | 100% |
|---|---|---|
| Sales (₹) | 15,00,000 | 16,00,000 |
| Fixed expenses (₹) | 3,00,500 | 3,00,600 |
| Semi-fixed expenses (₹) | 97,500 | 1,00,500 |
| Variable expenses (₹) | 1,45,000 | 1,49,500 |
| Units made | 13,500 | 15,000 |

Labour and material costs per unit are constant under present conditions. Profit margin is 10%.

(i) Examine the differential cost of producing 1,500 units by increasing capacity to 100%.

(ii) What would you recommend for an export price for these 1,500 units taking into account that overseas prices are much lower than indigenous prices? [7]

**5. (a)** From the following data, calculate the Fixed Overhead Volume Variance:
Budget output for the year: 30,000 units.
Budget fixed overheads for the year: ₹30,000.
Standard production per hour: 15 units.
Actual output for the month: 2,550 units. Actual overheads for the month: ₹3,000.
The year is budgeted to 50 working weeks on a 40-hour week basis. Two hours in every week are lost due to abnormal idle time. The month consists of four working weeks.
The unit has to curtail its production operation to 4 days in a week instead of the usual 5 days as a result of power cut. [7]

**(b)** Calculate Sales-mix variance:

Budgeted Sales Product

| Product | Units sold (units) | Sales Price/ Unit (₹) | Standard Margin (Profit Per Unit ₹) |
|---|---|---|---|
| A | 1,500 | 15 | 8 |
| B | 1,500 | 10 | 5 |
| C | 1,500 | 8 | 2 |

Actual Sales

| | |
|---|---|
| A | 1,100 Units for ₹ 14,300 |
| B | 1,900 Units for ₹ 17,100 |
| C | 3,000 Units for ₹ 27,000 |

[7]

**6. (a)** You are required to prepare a selling overhead Budget from the estimates given below:

| Particulars | (₹) |
|---|---|
| Advertisement | 1,000 |
| Salaries of the Sales dept. | 1,000 |
| Expenses of the Sales dept.(Fixed) | 750 |
| Salesmen's remuneration | 3,000 |

Salesmen's and dearness Allowance - Commission @ 1% on sales excluding Agent's sales.
Carriage outwards: estimated @ 5% on sales.
Agents Commission: 7½ % on Agent's sales.
The sales during the period were estimated as follows:
(a) ₹80,000 including Agent's Sales ₹8,000
(b) ₹90,000 including Agent's Sales ₹10,000
(c) ₹1,00,000 including Agent's Sales ₹10,500 [7]

**(b)** Prepare a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90%.

| Plant Capacity | At 80% capacity |
|---|---|
| | ₹ |
| VARIABLE OVERHEADS: | |
| Indirect labour | 12,000 |
| Stores including spares | 4,000 |
| SEMI VARIABLE: | |
| Power (30% - Fixed: 70% -Variable) | 20,000 |
| Repairs (60%- Fixed : 40% -Variable) | 2,000 |
| FIXED OVERHEADS: | |
| Depreciation | 11,000 |
| Insurance | 3,000 |
| Salaries | 10,000 |
| Total overheads | 62,000 |
| Estimated Direct Labour Hours | 1,24,000 |

[7]

**7. (a)** The following information is available of a concern. Calculate Economic Value Added (EVA).

12% Debt: ₹ 2,000 crores
Equity capital: ₹500 crores
Reserves and Surplus: ₹7,500 crores
Risk-free rate: 9%
Beta factor: 1.05
Market rate of return: 19%
Equity (market) risk premium: 10%
Operating profit after tax: ₹ 2,100 crores
Tax rate = 30% [7]

**(b)** Describe the four perspectives of the Balanced Scorecard. [7]

**8. (a)** TT Newsagents stocks a weekly health magazine. The owner buys the magazines for ₹ 0.30 each and sells them at the retail price of ₹0.50 each.

At the end of the week unsold magazines are obsolete and have no value. The estimated probability distribution for weekly demand is shown below.

| Weekly demand in units | Probability |
|---|---|
| 20 | 0.20 |
| 30 | 0.55 |
| 40 | 0.25 |
| | 1.00 |

You are required to calculate the following:

(i) What is the expected value of demand?

(ii) If the owner is to order a fixed quantity of magazines per week how many should that be? Assume no seasonal variations in demand. [7]

**(b)** Explain the concept of performance reporting and identify the key requisites for implementing responsibility accounting in an organization. [7]