

**INTERMEDIATE EXAMINATION****SET 2****MODEL QUESTION PAPER****TERM – JUNE 2026****PAPER – 12****SYLLABUS 2022****MANAGEMENT ACCOUNTING**

Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right-hand side indicate full marks.
Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.
All working notes should form part of your answer.

Answer Question No.1 in Section A which is compulsory.
Further answer any five from question no. 2 to question No. 8 in Section B.
The figures in the margin on the right side indicate full marks.

SECTION – A (Compulsory)**Answer all the questions. Each question carries two marks.****1. Choose the correct option from the given alternatives:****[15 × 2 = 30]**

- (i) _____ are set of standards for a company's behavior used by a socially conscious investor to screen potential investments in the company
- (a) Environment
 - (b) Social
 - (c) Governance
 - (d) All of the above
- (ii) Following are not within the scope of Management Accounting
- (a) Financial Accounting
 - (b) Cost Accounting
 - (c) Tax Accounting
 - (d) None of the above
- (iii) In Activity Based Costing, Production Manager's Salary is a _____ level activity:
- (a) Unit
 - (b) Batch
 - (c) Product
 - (d) Facility
- (iv) M Ltd., using Activity Based Costing (ABC), manufactures two types of products - P and Q respectively. During a period, the company incurred Rs. 1,00,000 as inspection cost and it worked for 20 and 30 production runs respectively for producing product P and Q. The inspection cost for product P under ABC System was _____
- (a) ₹20,000
 - (b) ₹30,000
 - (c) ₹40,000
 - (d) ₹50,000



- (v) M/s Super Trust Limited presently manufactures 5,000 units of a product at ₹ 10 each. The Company received an offer from a potential customer for 1,000 units of the same product. If the revised cost of production per unit is reduced to ₹ 9, what will be the minimum selling price per unit?
- (a) ₹4.50
(b) ₹5.00
(c) ₹4.00
(d) ₹3.00

- (vi) M/s Ahmed Corporation produces 5000 units of a particular product and sold 4000 units @ ₹20 each. If variable overheads and fixed overheads recovery rate is @ ₹10 & ₹3 respectively, profit of M/s Ahmed Corporation under Marginal costing and Absorption costing are:
- (a) ₹ 28,000 & ₹ 28,000
(b) ₹ 25,000 & ₹ 28,000
(c) ₹ 40,000 & ₹ 25,000
(d) ₹ 28,000 & ₹ 40,000

- (vii) Mr. Akash Sharma has the following two options:

Particulars	Old Car	New Car
Fixed cost	₹ 80,000	₹ 1,30,000
Variable cost per km.	₹ 10	₹ 8

The Indifference Point is:

- (a) 20,000 Km
(b) 25,000 Km
(c) 16,250 Km
(d) 8,000 Km
- (viii) Division – A of Pharma Limited can sell 1900 units of its finished goods in open market at a selling price of ₹ 30 per unit. The production capacity of Division – A is 2000 units, variable cost per unit is ₹ 10 and fixed cost per unit is ₹ 7. Division – B of Pharma Limited requires 600 units of the same finished goods produced by Division – A. The Transfer price of Division – A is _____.
- (a) ₹ 32.00
(b) ₹ 23.33
(c) ₹ 26.67
(d) ₹ 25.00
- (ix) Standard material requires for 1 unit of finished goods is 5000 Kgs @ ₹ 10. If actual material required for 1 unit of finished goods is 6000 Kgs @ ₹ 12 and also 1000 Kgs @ ₹ 20 ordered on emergency basis by the production manager, the Material Price Variance is:
- (a) ₹ 12,000 (Adverse)
(b) ₹ 22,000 (Adverse)
(c) ₹ 14,000 (Adverse)
(d) ₹ 42,000 (Adverse)



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- (x) During March 2026, 27,000 direct labour hours were worked at an actual cost of ₹2,36,385 and the standard direct labour hours of production were 29,880. The standard direct labour cost per hour was ₹.8.50. What was the labour efficiency variance?
- (a) ₹17,595 (A)
 - (b) ₹17,595 (F)
 - (c) ₹24,480 (A)
 - (d) ₹24,480 (F)
- (xi) A _____ is a budget which is continuously updated by adding a further accounting period when the earlier accounting period has expired.
- (a) Zero Base Budgeting
 - (b) Rolling Budget
 - (c) Continuous Budget
 - (d) Programme Budget
- (xii) If Risk free rate of return is 10%, nifty rate of return is 14% and Beta factor of last five years are 0.68, 0.74, 1.20, 1.35 & 1.55, then Cost of Equity is:
- (a) 15.20%
 - (b) 16.20%
 - (c) 21.70%
 - (d) 15.50%
- (xiii) Responsibility Accounting is also known as _____ Accounting.
- (a) Profitability
 - (b) Performance
 - (c) Financial
 - (d) Activity
- (xiv) _____ is based on the principle of insufficient reason.
- (a) The Minimax (Maximin) Criterion
 - (b) The Laplace Criterion
 - (c) The Savage Criterion
 - (d) The Hurwicz Criterion
- (xv) Situation where a decision maker knows all of the possible outcomes of a decision and also knows the probability associated with each outcome is referred to as:
- (a) Certainty
 - (b) Risk
 - (c) Uncertainty
 - (d) Strategy



Section – B

Answer any Five Questions from Question No. 2 to Question No. 8.

Each Question carries 14 Marks.

[5 × 14 = 70]

2. (a) “The Management Accountant is responsible for the installation, development and efficient functioning of the Management Accounting System” – In this context, Explain the functions of Management Accountant. [7]

- (b) M/s Veera Limited produces two products – Apple Cola and Orange Cola. Cost details of the above two products for the year ended 31-03-2025 is as under:

Particulars	Apple Cola	Orange Cola
No. of units sold	1,50,000 Bottles	2,00,000 Bottles
Selling price per unit (₹)	45.00	40.00
Direct Material cost per unit (₹)	7.50	5.00
Direct Labour cost per unit (₹)	4.00	4.00
Direct Labour hours per unit	4 Minutes	2.50 Minutes
Machine Hours per unit	2 Minutes	1.50 Minutes

Overhead cost during the period is as under:

Particulars	Amount (₹)
Factory overheads	5,00,000
Cost of material handling	2,00,000
Purchase related cost	3,00,000
Storage expenses	4,00,000
Packaging cost	7,00,000
Delivery related cost	4,00,000
Total cost	25,00,000

The cost drivers for the above overhead cost areas under:

Overheads	Cost drivers
Factory overheads	Machine Hours
Cost of material handling	800 units of material handled. 450 units for Apple Cola & 350 units for Orange Cola
Purchase related cost	300 Purchase Order ₹ 175 Purchase Orders for Apple Cola & 125 Purchase Orders for Orange Cola
Storage expenses	2000 units of material storage. 1200 units for Apple Cola & remaining for Orange Cola
Packaging cost	3,50,000 Bottles
Delivery related cost	Direct labour hours



Required:

Calculate Total Cost and Profit per unit of both the products under:

- (i) Traditional method of charging overheads based on Machine hour rate
- (ii) Activity based Costing method.

[7]

3. (a) M/s UTZ Ltd. manufactures 20,000 units of 'X' in a year at its normal production capacity. The unit cost as to variable costs and fixed costs at this level are ₹13 and ₹4 respectively.

Due to trade depression, it is expected that only 2,000 units of 'X' can be sold during the next year. The management plans to shut-down the plant. The fixed costs for the next year then is expected to be reduced to ₹33,000. Additional costs of plant shut-down are expected at ₹12,000. Analyse whether the plant should be shut down or not. What is the shutdown point? You may assume a selling price of ₹20 per unit. [7]

- (b) M/s Neelam Limited is engaged in manufacturing and selling clothing material. One of its division is Design division which provides design consultancy to production division as well as to external clients. The Design division is always working in team of three designers on each day of consultancy assignment. The external clients are charged at the rate of ₹ 9,000/- for each consulting day, which is cost plus 25% profit margin. 80% of cost of consultation charges is variable and balance 20% is fixed.

The production division received an outside order which requires 2 consulting teams to work for 5 days in a week for one year. If consultancy services provided internally, there is a scope of reduction of variable cost of design division by ₹ 500 per consulting day.

You are required to calculate the Transfer Price per consulting day at which design division can provide consultancy services to production division so that overall profit of M/s Neelam Limited is maximized in each of the following scenario:

- (i) All the teams of Design division are fully engaged during the one-year period in providing consultancy services to external clients and the division has no spare capacity of consulting team to take up the work of production division.
- (ii) Design division will be able to spare one design team of consultant to provide service to the production division during the one-year period and all other team will be fully engaged in providing services to external division.
- (iii) A new external client has offered to pay ₹ 33,28,000 to the Design division for engaging services of two teams of consultant during the aforesaid period of one year. [7]

4. (a) M/s RSR Limited sold 15,000 units of product Zen in the month of August, 2025. The profitability statement for the month is as under:

Particulars	Amount (₹)	Amount (₹)
Sales		12,00,000
Variable Cost:		
Direct Material	3,00,000	
Direct Labour	3,60,000	
Production overhead	1,50,000	8,10,000

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Particulars	Amount (₹)	Amount (₹)
Fixed Cost:		
Fixed production overhead	80,000	
Fixed Administrative overhead	70,000	
Fixed Selling & Distribution overhead	66,000	2,15,200
Total Cost		10,25,200
Profit		1,74,800

After production of first 5000 units of product Zen, the company has to pay overtime allowance to the direct labours @ ₹9 per unit. The overtime allowance so paid has been included in the direct labour cost of ₹3,60,000 given in the above table.

You are required to calculate:

- Break Even Point (BEP)
 - Margin of Safety (MOS)
 - Profit from sale of 25,000 units of product Zen where fixed cost will increase by 10%. [7]
- (b) M/s Beta Limited is engaged in manufacturing of Electrical Switchgear. Presently the company has supply order for 40,000 units of Electrical Switchgear in hand. Due to economic recession, no further orders are expected until April. Presently the company is working at 75% of its full capacity and the order in hand of 40,000 units represents one-month production at this activity level.
- The Board of Directors of the company is currently considering the following two proposals:
- Operate at 75% activity level, complete the entire order of 40,000 units in January and shut down the factory in February & March.
 - Operate at 25% activity level for each month of January, February & March.

The monthly cost sheet at different level of activity is as under:

Particulars	At 75% Activity level (₹)	At 25% Activity level (₹)	Idle (₹)
Direct Material	5,50,000	1,80,000	-
Direct Labour	4,90,000	1,65,000	-
Factory overheads:			
Indirect Material	48,000	18,000	-
Indirect Labour	1,10,000	38,000	6,000
Indirect Expenses:			
Repair & Maintenance	40,000	17,000	-
Other Expenses	55,000	30,000	16,000
Administrative overheads:			
Salaries & Allowances	1,50,000	1,00,000	65,000
Other Administrative overhead	32,000	24,000	8,000

M/s Beta Limited provides you the following additional information:

- Material and Labour cost will not be incurred when there is no production.
- If proposal (b) above is opted, on reopening of the factory, one-time training cost of ₹ 75,000 and overhauling cost of Plant & Machinery of ₹ 17,000 would be required.

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Required:

- (i) Advice M/s Beta Limited purely on cost factors as to whether the factory should be shut down during February & March and complete the entire production of 40,000 units in January or operate at 25% activity level for the three months.
- (ii) List out the non-cost factors in contrary to your decision in (i) above. [7]

5. (a) M/s Complete Solution is engaged in manufacturing gypsum false ceiling boards of standard size of 8 feet length x 4 feet width x ½ inch thickness. Following standards have been set for raw material to manufacture 2,00,000 square feet of false ceiling boards.

Direct Material	Qty.	Rate (₹)
Calcium Sulfate	6,000 Kgs	300/-
Chemical – A	5,000 Liter	600/-
Chemical – B	7,000 Liter	800/-

During November, 2025 actual material consumption are as under:

Direct Material	Qty.	Rate (₹)
Calcium Sulfate	80,000 Kgs	310/-
Chemical – A	70,000 Liter	580/-
Chemical – B	86,000 Liter	820/-

Actual production for the month of November, 2025 is 80,000 false ceiling boards of size 8 feet length x 4 feet width x ½ inch thickness.

Calculate the following:

- (i) Material Cost Variance
- (ii) Material Cost Variance sub-divided into (a) Price Variance & (b) Usage Variance. [7]
- (b) Jai Hind Tiles Limited produces floor tiles. One of its product line is bathroom tiles of size length 6-inch x width 6-inch x 1/8-inch thickness. During the month of July, 25 the standard output is 20,000 sqft of floor tiles, 1/8-inch thickness. The standard cost and profit per unit for the month of July, 25 is as under:

Particulars	Amount (₹)
Direct Material	17.50
Direct Labour	4.00
Direct Expenses	2.00
Factory overhead:	
Variable production overhead	1.00
Fixed production overhead	0.75
Administrative overhead	0.50
Selling & Distribution overhead	0.25
Total cost	26.00
Profit	4.00
Selling price	30.00



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The actual production and sales for the month of July, 25 is 70,000 units of floor tiles. Jai Hind Limited provides you the following additional details:

Particulars		Favorable (₹)	Adverse (₹)
Direct Material Variance	Price	15,000	-
	Usage	-	20,000
Direct Labour Variance	Rate	-	10,000
	Efficiency	17,000	-
Factory overhead variance	Variable - Expenditure	10,000	-
	Fixed - Expenditure	-	10,000
	Fixed - Volume	21,000	-
Administrative overhead variance	Fixed - Expenditure	15,000	-
	Fixed - Volume	-	9,000
Selling & Distribution overhead variance	Fixed - Expenditure	7,000	-
	Fixed - Volume	-	13,000

You are required to prepare:

- Profit & Loss statement showing the actual profit for the month of July, 25
- Reconcile the actual profit with standard profit.

[7]

6. (a) M/s Alsto Limited manufactures plastic dustbins of 60-liters capacity. The selling price of dustbin is ₹ 100 per unit. Following are the Cost & Sales details during last two quarters:

Particulars	Quarter - 1	Quarter - 2
Units Sold	6,500	5,800
Units produced	7,000	6,000
Direct Material:		
Raw Material - A	84,000	72,000
Raw Material - B	35,000	30,000
Direct Labour	1,80,000	1,65,000
Factory overhead	90,000	80,000
Administrative overhead	1,50,000	1,30,000

M/s Alsto Limited provided you the following additional information:

- The price of Raw Material – B will increase by 10% in the next quarter.
- The direct labour cost will go up by 10% in the next quarter. Further, If production volume increases beyond 7500 units, overtime premium of 50% is also applicable on variable direct labour cost.
- Fixed factory overhead & administrative overhead will increase by 10%.
- A discount on selling price @ 20% to be given on all sales made at 8000 or more units of output.
- While operating at 8000 units production level, the company intends to quote for additional 2000 units to be supplied to local municipality under Swachha Bharat Mission. The working capital requirement for this order is 80% of sales value and target profit is 20% of Capital Employed in respect of this order.

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Required:

- (a) Prepare Flexible Budget for the next quarter at 7500 and 8000 units production level and determine profit at the respective level.
- (b) Calculate the price to be quoted in respect of the municipality order of 2000 units of dustbins. [7]
- (b) M/s Woody's produces and sells wooden furniture. One of its product line is Dinning Table. The projected sales for the quarter ending 31-03-2026 is 1200 pcs of Dinning Tables @ ₹ 5,000/- per unit. M/s Woody's provides you the following cost details per unit of Dinning Table:

Particulars	Per unit of Dinning Table	Rate (₹)
Timber	1.50 cubic feet	₹ 500 / cft
6 mm Glass for table-top	12 sq feet	₹ 150 / sqft
Wood Glue	1/2 liter	₹ 400 / liter
Carpenters' time	180 Minutes	₹ 1000 / day of 8 hours

Planned Inventory level of M/s Woody's are as under:

Particulars	Timber (In cft)	Glass (In sqft)	Wood Glue (In liter)	Dining Table (In Pcs)
Opening	700	2000	50	50
Closing	900	1000	60	150

Fixed overhead would be ₹ 5,15,000 per month.

Required:

- (i) Prepare Production and Raw Material Purchase Budget for the quarter ending 31-03-2026.
- (ii) Calculate the Budgeted Net Profit for the quarter ending 31-03-2026. [7]

7. (a) The Balance Sheet of M/s ABC Limited as on 31-03-2025 is as under:

Liabilities	Amount (₹)	Assets	Amount (₹)
Equity Share Capital (@ ₹10 each)	10,00,000	Fixed Assets	25,00,000
Reserve & Surplus	12,00,000	Fixed Deposit at Bank	8,00,000
10% Debentures	7,00,000	Current Assets, Loans & Advances	7,00,000
12% Loan from Bank	5,00,000		
Current Liabilities & Provisions	6,00,000		
	40,00,000		40,00,000

Additional information:

- (i) Tax rate applicable to the Company - 30%
- (ii) Financial Leverage – 1.2 times
- (iii) Return on Bank Fixed deposits – 8%
- (iv) Return on Security market – 13%
- (v) Average beta factor (β) of the Company for last five financial years is 0.80, whereas the highest & lowest beta factor (β) of last five financial years is 0.90 and 1.05 respectively. Assume Principle of Capital Asset Pricing Model (CAPM) holds good.

Required:

Calculate Economic Value Added (EVA) of M/s ABC Limited as on 31-03-2025 and comment on your answer. [7]



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- (b) M/s Canework Self Help Group (SHG) is engaged in producing chairs made from cane. The production is purely carried by manual workers. The SHG produces 2000 chairs in a month using 100% capacity utilization. The following information has been obtained from the cost records of M/s Canework Self Help Group (SHG):

Particulars	Amount (₹)
Direct Material	₹ 800 Per Chair
Direct Labour	₹ 1000 Per day
Variable Overhead	₹ 300 Per Chair
Fixed Overhead at maximum capacity	₹ 2,60,000
Direct Labour hour per unit of production	2 Hours

Presently the SHG is working single shift from 10 am to 6 pm with 30 minutes' lunch break. Each chair requires 2 hours for the first 200 chairs. It is possible to achieve 80% learning rate after production of first 200 chairs. When 800 chairs are produced, the workers are more efficient and able to achieve 75% learning rate post 800 units, thereafter learning stops. Selling price of first 200 chairs are ₹ 3500 per unit.

Calculate the selling price per unit for an order of 1400 units for a prospective client, if M/s Canework intend to earn profit margin of 15% on cost. [7]

8. (a) M/s Global Healthcare Limited is considering to launch its revolutionized health care product for smokers. The product is meant for avoiding smoking and can be launched through either of the three channels, Multispecialty Hospitals clinics, visiting doctors and advertisement campaigning. Sales are uncertain and fluctuate; demand could be low, medium or high. Expected sales (units) for the month of Feb, 2026 might be as follows:

Sales Channel	Product Demand		
	Low	Medium	High
Multispecialty hospitals clinics	700	1800	3000
Visiting doctors	900	2400	2700
Advertisement campaigning	1200	1900	2300

M/s Global Healthcare Limited has determined the probabilities of product demand as under:

Low = 30%

Medium = 20%

High = 50%

The Selling Price per unit of the health care product is ₹ 1800/- and Variable cost per unit is 1300/-. The Company is considering to engage Medical Representatives (MR) based on the outcome of demand of its health care product. The cost of engagement of MR for Feb, 26 for visiting doctors is ₹ 1,30,000/-. The company has to offer a discount of 5% on selling price on products sales through Multispecialty Hospitals clinics. Cost of advertisement campaigning is ₹ 85,000/-

Apply the Decision Tree approach and advice M/s Global Healthcare Limited about the best sales channel to launch the product using Decision Tree approach and Profit statement. [7]

- (b) Name different types of Responsibility Centers. Briefly describe what factors distinguishes them from each other. [7]