



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.

**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) Management Accounting focused on reduction of Waste of resources in production processes by elimination “no-value activities” during the \_\_\_\_\_
- (A) 1<sup>st</sup> Stage
  - (B) 2<sup>nd</sup> Stage
  - (C) 3<sup>rd</sup> Stage
  - (D) 4<sup>th</sup> Stage
- (ii) Which one of the following is not true of Contemporary Techniques?
- (A) Marginal Costing
  - (B) SWOT Analysis
  - (C) Target Cost
  - (D) Just in time
- (iii) A \_\_\_\_\_ activity support the production of a Specific product or Service.
- (A) Product - level
  - (B) Batch - Level
  - (C) Unit - Level
  - (D) Facility - Level
- (iv) ALM Ltd. manufactures two types of products S, and Z following Activity based Costing (ABC) System. During the month of October 2025, the Company incurred ₹1,56,000 as inspection Cost and it was worked for 17 and 22 production runs respectively for producing Products S, and Z. The inspection Costs for Product Z under the ABC System was:
- (A) ₹ 88,000
  - (B) ₹ 32,000
  - (C) ₹ 48,000
  - (D) ₹ 38,000
- (v) The Chart that shows the relationship between Profit and Sales Volume is \_\_\_\_\_.
- (A) Break-even Chart
  - (B) Profit – Volume Chart



- (C) Contribution Break-even Chart  
(D) None of the above
- (vi) For the coming year, a manufacturing company has budgeted as under:  
Contribution / Sales (C/S) Ratio = 45%  
Margin of Safety Ratio =  $33\frac{1}{3}\%$   
Fixed Costs = ₹ 5,85,000.  
What will be the profit for the coming year?  
(A) ₹3,25,000  
(B) ₹2,92,500  
(C) ₹3,00,000  
(D) ₹3,20,000
- (vii) A radio manufacturer finds that its costs ₹6.25 per unit to make component Meu and the same is available in the market at ₹5.75 each. Continuous supply is also fully assured. The break-down cost per unit as follows: Materials ₹2.75, Labour ₹1.75 other variable expenses ₹0.50, Depreciation and other fixed cost ₹1.25. What would be your decision, if the supplier offered the component at ₹4.85 per unit?  
(A) Make  
(B) Buy  
(C) Sell  
(D) None of the above
- (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) Z Ltd. uses a Standard Costing System.  
The following information pertains to direct Labour Costs for a Month.
- |                                      |                |
|--------------------------------------|----------------|
| Standard Labour Rate per hour        | ₹15            |
| Actual Labour hours worked           | 12,000 hours   |
| Standard Labour hours for production | 10,000 hours   |
| Labour rate variance                 | ₹18,000 (Adv.) |
- What will be the actual labour rate per hour?  
(A) ₹16.50  
(B) ₹12.50  
(C) ₹13.50  
(D) ₹21.27
- (x) R Ltd. a manufacturer of Product N using Standard Costing System provides the following information pertaining to Fixed overhead for the month of September 2025.



Budgeted Fixed Overhead	₹ 60,000
Budgeted hours	2,000
Actual Fixed Overhead incurred	₹ 61,000
Actual hours worked	2,100

Fixed overhead Cost Variance will be \_\_\_\_\_

- (A) ₹ 2,000 (Adv.)  
(B) ₹ 2,000 (Fav.)  
(C) ₹ 1,000 (Adv.)  
(D) ₹ 1,000 (Fav.)
- (xi) A budgeting process which demands each manager to justify his entire budget in detail from beginning is \_\_\_\_\_  
(A) Master Budget  
(B) Zero Base Budgeting  
(C) Functional Budget  
(D) None of the above.
- (xii) To complete the first setup on a new machine an employee took 100 minutes. Using an 80% Incremental unit-time learning model indicates that the second set-up on the new machine is expected to take.  
(A) 80 minutes  
(B) 60 minutes  
(C) 40 minutes  
(D) 30 minutes
- (xiii) Which one of the following responsibility Centers is an organizational unit whose manager is responsible for generating revenues and managing expenses related to current Activity?  
(A) Expense or Cost Center  
(B) Profit Center  
(C) Revenue Center  
(D) Investment Centre
- (xiv) Mr. Dinesh, a businessman is trying to decide which of the three mutually exclusive projects to undertake. Each of the projects could lead to varying net profit under three possible Scenarios.

Scenarios	Profits / Project		
	P	Q	T
I	110	70	50
II	80	130	90
III	(10)	20	80

Using Minimax which Project is to be selected?

- (A) T



- (B) Q  
(C) P  
(D) None of the above.
- (xv) The decision maker's knowledge and experience may influence the decision-making process when using the criterion of
- (A) Maximum  
(B) Realism  
(C) Maximin  
(D) Maximax Regret

**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 Scope of Management Accounting includes all information which is provided to Management for financial analysis and interpretation of the business operations” – In this context, align the scope of Management Accounting. [7]
- (b) M Ltd. is engaged in production of three types of Fruit Juices: Apple, Orange and Mixed Fruit.

The following cost data for the month of March 2025 are as under:

Particulars	Apple	Orange	Mixed Fruit
Units produced and sold	10,000	15,000	20,000
Material per unit (₹)	8	6	5
Direct Labour per unit (₹)	5	4	3
No. of Purchase Orders	34	32	14
No. of Deliveries	110	64	52
Shelf Stocking Hours	110	160	170

Overheads incurred by the Company during the month are as under:

	(₹)
Ordering Costs	64,000
Delivery Costs	1,58,200
Shelf stocking Costs	87,560

Required:

Calculate the cost driver's rate.

Calculate the total cost of each product using Activity Based Costing. [7]



3. (a) SONA MOTORS Ltd. has an annual production of 90,000 units for a motor component. The component cost structure is as below:

	₹
Materials p.u.	270
Labour p.u. (25% fixed)	180
Overheads : Variable p.u.	90
Fixed p.u.	135
	675

- (i) The purchase manager has an offer from a supplier who is willing to supply the components at ₹540.  
Required:  
Assess Critically should the component be purchased and production stopped.
- (ii) Assume the resources now used for this component's manufacture are to be used in producing another new product for which selling price is ₹ 485. In such a case, the material price will be ₹ 200 per unit, 90,000 units of this product can be produced at the same cost basis as above for labour and overheads.  
Analyze whether it would be profitable to divert the resources to manufacture the new product, on the footing that the component currently being produced would be purchased from the market instead of being produced. [7]
- (b) B Ltd. has two divisions M and N. Division M manufactures product A which it sells in outside market as well as to Division N which processes it to manufacture Z. The Manager of Division N has expressed the opinion that transfer price is too high. The two Divisional Managers are about to enter into discussions to resolve the conflict and Manager of Division M to supply him with some information prior to discussions.

Division M has been selling 50,000 units to outsiders and 10,000 units to Division N, all at ₹25 per unit. It is not anticipated that this demand will change. The variable cost is ₹15 per unit and the fixed costs are ₹ 3lakhs. Divisional investment in assets is ₹12 lakhs.

The Manager of Division M anticipates that Division N will want a transfer price of ₹22. If he does not sell to Division N, ₹40,000 of fixed costs and ₹2,00,000 of assets can be avoided. The Manager of Division M would have no control over the proceeds from the sale of the assets and is judged primarily on its rate of return.

Required:

- (i) Analyze whether the Manager of Division M should transfer its products at ₹22 to Division N.
- (ii) Integrate the lowest price that the Division M should accept. [7]



## MANAGEMENT ACCOUNTING

4. (a) The Cost Volume – Profit relationship of M Ltd. is describe by the equation  $Y = ₹2,40,000 + 0.6x$ , in which  $x$  represents sales revenue and  $Y$  is the Total Cost (FC + VC) at the Sales revenue/ Volume represented by  $X$ .

Based on above information you are required to answer the following:

Required:

Calculate the P/V. Ratio

Calculate the Sales Volume that must be obtained to Break-even for the Company?

Analyse Sales volume to be required to produce an income of ₹100000. [7]

- (b) TNT Ltd., a manufacturing company presently operating at 80% of its installed capacity, has received a bulk export order from the Middle East. The execution of this order would require utilisation of an additional 40% of the factory's capacity. The offer is conditional — the company must either accept and execute the entire order at a price 10% lower than the prevailing domestic selling price or reject it outright.

The relevant details of the current sales and cost structure are provided below:

Sales	₹ 16.00 lakhs
Direct Material	₹ 5.80 lakhs
Direct Labour	₹ 2.40 lakhs
Variable Overheads	₹ 0.60 lakhs
Fixed Overheads	₹ 5.20 lakhs

The following alternatives are available to the management.

- (i) Continue with domestic sales and reject the export order.
- (ii) Increase capacity so as to accept the export order and maintain the domestic demand by:
- (i) Purchasing additional plant and increasing 10% capacity and thereby increasing fixed overheads by ₹ 65,000 and
- (ii) Working overtime at one and half time the normal rate to meet balance of the required capacity.

Required:

Analyze each of the above alternatives and suggest the best one. [7]

5. (a) The standard labour component and the actual labour component engaged during the month are given below:

	Skilled	Semi-skilled	Unskilled
Standard number of workers in a group	32	12	6
Standard wage rate (₹ per hour)	3	2	1
Actual number of workers employed during the month in the group	28	18	4
Actual wage rate (₹ per hour)	4	3	2

During the 40-hour week, the gang produced 1,800 standard labour hours of work.



**INTERMEDIATE EXAMINATION**  
**MODEL QUESTION PAPER**  
**PAPER – 12**  
**MANAGEMENT ACCOUNTING**

**SET 1**  
**TERM – JUNE 2026**  
**SYLLABUS 2022**

Required:

Calculate Labour rate variance, Labour efficiency variance. Labour mix variance, and Total labour cost variance. [7]

- (b) The following information has been obtained from the records of PXT Ltd. for the month ended February'2028:

Particulars	Budget	Actual
Production (units)	4,000	3,800
Working Days	20	21
Fixed Overhead (₹)	40,000	39,000

Calculate the following:

- (i) Expenditure Variance,
- (ii) Calendar Variance,
- (iii) Capacity Variance,
- (iv) Efficiency Variance,
- (v) Volume Variance,
- (vi) Fixed Cost Variance.

[7]

6. (a) A company manufactures two products X and Y. A forecast of unit to be sold in the first 4 months of the year is given below:

Months	Product X	Product Y
January	1,000	2,800
February	1,200	2,800
March	1,600	2,400
April	2,000	2,000
May	2,400	1,600

Other information are as follows:

Cost per unit (₹)	Product X	Product Y
Direct Material	12.50	19.00
Direct Labour	4.50	7.00
Factory Overhead	3.00	4.00

There will be no opening and closing work – in – progress (WIP) at the end of any month and finished product (in units) is equal to half of the budgeted sale of the next month should be in stock at the end of each month (including previous year December).

Prepare:

- (i) Production Budget for the period January to April, and
- (ii) Summarized production Cost Budget.

[7]



- (b) RG Ltd., a manufacturing company, prepared the following budget for the year 2025–26.

		Percentage to total Sales
Direct Materials		40
Direct Labour		20
Factory Overheads	Variable	10
	Fixed	10
Selling and Adm. Overheads	Variable	5
	Fixed	12
Profit		3
Sales		100

After reviewing the half-yearly performance, it was observed that the company would be able to achieve only 80% of the originally budgeted sales. Accordingly, the revised sales estimate was worked out at ₹1,080 lacs, after factoring in a 10% reduction in the selling price.

Required:

Analyze and Prepare a Statement showing the breakup of the original and revised budget for the year 2025 – 26. [7]

7. (a) Kolkata Sports Co (KSC) is a large manufacturing company specialising in the manufacture of a wide range of sports clothing and equipment. The company has two divisions: Clothing (Division C) and Equipment (Division E). Each division operates with little intervention from Head Office and divisional managers have autonomy to make decisions about long-term investments.

KSC measures the performance of its divisions using return on investment (ROI), calculated using controllable profit and average divisional net assets. The target ROI for each of the divisions is 18%. If the divisions meet or exceed this target the divisional managers receive a bonus.

Last year, an investment which was expected to meet the target ROI was rejected by one of the divisional managers because it would have reduced the division's overall ROI. Consequently, KSC is considering the introduction of a new performance measure, residual income (RI), in order to discourage this dysfunctional behaviour in the future. Like ROI, this would be calculated using controllable profit and average divisional net assets.

The draft operating statement for the year, prepared by the company's trainee accountant, is shown below:

	Division C (₹'000)	Division E (₹'000)
Sales revenue	3800.00	8400.00
Less variable costs	1400.00	3030.00
Contribution	2400.00	5370.00
Less fixed costs	945.00	1420.00
Net profit	1455.00	3950.00
Opening divisional controllable net assets	13000.00	24000.00
Closing divisional controllable net assets	9000.00	30000.00

**Notes:**

- (i) Included in the fixed costs are depreciation costs of ₹165,000 and ₹460,000 for Divisions C and E respectively. 30% of the depreciation costs in each division relates to assets controlled but not owned by Head Office. Division E invested ₹20,00,000.00 in plant and machinery at the beginning of the year, which is included in the net assets figures above, and uses the reducing balance method to depreciate assets. Division C, which uses the straight-line method, made no significant additions to non-current assets. It is the policy of both divisions to charge a full year's depreciation in the year of acquisition.
- (ii) Head Office recharges all of its costs to the two divisions. These have been included in the fixed costs and amount to ₹620,000 for Division C and ₹700,000 for Division E.
- (iii) KSC has a cost of capital of 12%.

**Required:**

- (i) Calculate ROI of each of the division.
- (ii) Calculate Residual Income of each division and comment on the results of this performance measure. [7]
- (b) NATAL Ltd. has just completed the manufacture of 40 units of a new product. The manufacturing costs are:

	₹
Direct Material	3,00,000
Direct Labour: 9000 hours @ ₹20/hr.	1,80,000
Variable Overheads @ ₹10/hr.	90,000
Special Tool (re-usable)	15,000
Fixed Overheads apportioned	1,00,000
	6,85,000

The Company policy is to add a profit of 15% on selling price.

The Company received another order for 120 units of this product for which the company quoted, based on its policy on absorption cost basis, a price of ₹20,147 per unit. The customer struck the order to ₹14000 per unit.

The Company is short of work and so is keen to take up more orders, but it is reluctant to accept this order price because it is against the policy to accept any price below its cost. The company experience a learning curve of 90%.

**Required:**

- (i) Identify the gain or loss arising from acceptance of the order of ₹14,000 per unit.
- (ii) Advice whether the company should accept this order for 120 units or not. [7]



8. (a) LAXMI BANK has been approached by a customer seeking a loan of ₹20,000 for a period of one year. The current lending rate of the bank applicable to such loans is 18% per annum. If the loan application is rejected, the bank has the alternative option of investing the ₹20,000 in the money market, which yields a return of 10% per annum. Based on past records, it is estimated that 5% of customers default on their loans, meaning that neither the principal nor the interest is recovered in such cases.
- Required:  
Prepare a decision tree and advise LAXMI BANK whether the loan should be sanctioned. [7]
- (b) “Responsibility reporting should be appropriate and relevant with respect to its content, frequency, and the level of detail required.” In this context, explain the characteristics of an effective Responsibility Reporting System. [7]