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MBA I Semester
M-107
Cost & Management Accounting
Sample Questions

Part A: Short answer question (up to 25 words)

Part B: Analytical/ problem Solving questions

Part C: Descriptive/ Analytical/ Problem Solving/ Case questions.

Part A

MODULE 1

Q1 Define accounting.
Q2 Describe various branches of accounting?
Q3 What do you mean by financial accounting?
Q4 Explain the limitations of financial accounting?
Q5 Describe various advantages of accounting?
Q6 Define –
a. Assets.
b. Solvent
c. Reserves
d. Voucher
Q7 Explain the Accounting Equation.

MODULE 2

Q8 Explain various types of accounts.
Q9 Name the different rules for journalizing transactions?
Q10 What do you mean by ledger?
Q11 Name different final accounts.
Q12 Name the errors in process of journalizing.
Q13 Interpret the debit and credit balances in ledgers in reference to different types of accounts.

MODULE 3

Q14 Define ratio analysis.
Q15 Name the devices used in analysis of financial statements.
Q16 Name the different categories of ratios calculated in ratio analysis.
Q17 Define Trend Analysis.
Q18 Write the difference between acid test ratio and current ratio.
Q19 Define EBITDA Ratio.
Q20 Name the different sources of cash flows.
Q21 Define funds flow statement.

MODULE IV

Q22 What do you mean by cost accounting?
Q23 Explain various objectives of cost accounting?
Q24 What do you mean by cost?
Q25 Explain various elements of cost?
Q26 Define cost Accountancy.
Q27 Define cost sheet.
Q28 Define:

A. Cost of Production.
B. Works cost.
C. Prime cost.

Q29 What do you mean by Marginal costing?
Q30 Define contribution.
Q31 Explain BEP.

MODULE V

Q32 What do you mean by Budgeting?
Q33 What do you mean by standard costing?
Q34 What is Budgetary Control?
Q35 Differentiate between a Forecast and a Budget.
Q36 What is ZBB?

MODULE VI

Q37 What do you mean by accounting standards? Explain their need and advantages?
Q38 Explain IFRS.
Q39 Mention the Principles of IFRS.

MODULE VII

Q40 Define HRA.
Q41 Name the approaches for valuation of HR.
Q42 Name few industries which follow HRA.
Q43 Define Responsibility Accounting.
Q44 What is responsibility reporting?
Q45 Name the different centres of control in Responsibility Accounting.
Q46 Write the full forms of SGST, CGST, UTGST, IGST and ITC.

MODULE VIII

Q47 Define Goodwill.
Q48 Mention the categories of Goodwill.
Q49 Name the methods of Valuation of Goodwill.
Q50 What is Inventory Management?

Part B

MODULE 1:

Q1 Explain various types of assets?
Q2 Explain the various characteristics of Accounting.
Q3 What are the main objectives of accounting?
Q4 Which parties are interested in accounting information and why?
Q5 Explain various concepts of accounting.
Q6 Describe various conventions of accounting.

1. Describe the need and importance of maintaining ledgers.
2. Differentiate between Journal and Ledger.
3. Enumerate the errors in posting.
4. Differentiate between trial balance and Balance sheet.
5. Journalize the following transactions-

Jan1,2010 Business started with cash	50,000/-
Jan2,2010 Machinery purchased from Ram	10,000/-
Jan3,2010 Goods purchased from Mohan for cash	10,000/-
Jan4,2010 Furniture purchased for cash	15,000/-
Jan5,2010 Salary paid to shyam	2,000/-
Jan6,2010 Amount deposited in bank	10,000/-
Jan7,2010 Payment to Ram through cheque	5,000/-
Jan8,2010 cash withdrawn from bank	1,000/-
Jan9,2010 loan taken from Mr. B	20,000/-

6. The trial balance of A limited revealed the following balances on 31st March 2009.Prepare Trading Account, Profit & Loss Account and Balance Sheet for the yearending 31st March 2009. The value of stock on 31st March 2009 was valued at Rs. 3,50,000

Trial Balance

Debit Balances	**Amount**
Plant & Machinery	8,00,000
Purchases	6,80,000
Sales Return	10,000
Opening Stock	3,00,000
Discount Allowed	3,500
Bank Charges	750
Debtors	4,50,000
Salaries	68,000
Wages	100,000
Carriage Inward	7,500
Carriage Outward	12,000
Rent, Rates & Taxes	20,000
Advertisement	20,000
Cash at Bank	69,000

Total	25,40,750

Credit Balances	**Amount**
Capital Account	10,00,000
Sales	12,70,000
Purchase Return	12,750
Discount Received	8,000
Creditors	2,50,000
Total	25,40,750

1. During the first month of operation, Mr. Rahul's business completed the following transactions.

a) On March 1, 2001, Mr. Rahul invested cash Rs.25,000/- in the business.
b) On March 2, 2001, he bought Rs.6,000/- supplies for the shop.
c) On March 3, 2001, he paid Rs.5,000/- rent for the month of the March for the shop.
d) On March 5, 2001, he purchased the equipments for Rs.12,000/-.
e) Up to March 16, 2001, receipt from services rendered to various clients Rs.8,250/-.
f) On March 30, 2001, payment of salaries to the office assistant Rs.3,600/-.
g) On March 31, 2001, receipt from services rendered during two weeks' period ended March 31, amounted to Rs.9,300/-.
h) On March 31, 2001, Mr. Rahul withdrew Rs.8,000/- cash and supplies worth Rs.500/- for his personal use.

REQUIRED
Record the above transactions in the General Journal.

2. The following is the trial balance of Rajat& Co. on March 31, 2011:

Cash	Rs.20,000	Accounts payable	Rs.30,000
Accounts receivable	Rs.50,000	Salaries payable	Rs.15,000
Merchandise inventory	Rs.60,000	Bank loan	Rs.25,000
Equipment	Rs.40,000	Capital	Rs.100,000
	Rs.170,000		Rs.170,000

The following transactions were performed during first fortnight of April:

April 05: Paid outstanding salaries.

April 06: Collected 1/2 of accounts receivable.

April 07: Sold merchandise for cash Rs.20,000 and on account Rs.30,000.

April 10: Paid 1/3 of the accounts payable.

April 14: Made additional investment depositing cash into the bank Rs.25,000.

REQUIRED - Prepare the ledgers with opening balances on April 01, and post the above transactions directly there-in. Foot and balance the accounts. Also prepare trial balance.

1. Describe various objectives of ratio analysis? How it is important in analysis of financial statements?
2. Explain limitations of ratio analysis?
3. Describe the advantages of ratio analysis.
4. What is cash flow statement? Discuss its main uses and limitations?
5. Define cash flow statement? How is it different from income statement?
6. The balance sheets of Ram and company limited are as follows-

Liabilities	**2002**	**2003**
Equity share capital	50,000	60,000
P & L account	26,400	20,900
Debentures	35,000	35,000
Accumulated Dep.	20,000	21,500
Creditors	7,200	9,000
Taxes payable	6,000	6,000
Bills payable	14,000	26,000
Total	**1,58,600**	**1,78,400**

Assets	**2002**	**2003**
Fixed Assets	70,000	88,000
Investments	40,000	40,000
Cash	6,000	8,000
Debtors	7,000	12,000
Prepaid rent	3,600	2,400
Stock	32,000	28,000
Total	**1,58,600**	**1,78,400**

Additional information's are as follows-

- Purchased a new fixed asset costing Rs. 25,000/-. Paid 13,000/- in cash and gave short term bills for the remaining.
- Issued additional capital for cash.
- Disposed off a fully depreciated asset having an original cost of Rs. 7,000/- and no scrap value.
- Net profit for the year amounted to Rs. 2,000/- (after tax)

Prepare a cash flow statement as per Accounting Standard no. 3.

6. Prepare Cash flow statement as per Accounting Standard No.3 from the following Balance sheets-

Liabilities	**2008**	**2009**

Equity Share Capital	40,000	50,000
Preference Share capital	50,000	60,000
6% Debentures	38,000	46,000
General Reserve	5,000	5,000
Profit & Loss A/c	10,000	12,000
Creditors	9,000	8,000
Provision for tax	2,000	5,000
Proposed Dividend	4,000	4,200
	1,58,000	1,90,200

Assets	**2008**	**2009**
Fixed Assets	69,000	61,000
Less Depreciation	6,000	7,000
Net fixed assets	63,000	54,000
Stock	40,000	50,000
Debtors	30,000	50,000
Cash	20,000	30,200
Prepaid Expenses	5,000	6,000
	1,58,000	1,90,200

Tax and dividend of 2008 have been paid in 2009.

7. Determine the closing stock, liquid assets and current ratio from following information-

- Sales 15,00,000/-
- Gross profit ratio 30%
- Current liabilities 2,50,000/-
- Inventory turnover (based on closing stock) 3times
- Acid test ratio .75:1

8. Calculate current assets, current liabilities & stock turnover ratio from the following-

- Current ratio 2.5:1
- Working capital 60,000
- Opening stock 29,000
- Closing stock 31,000
- Sales 3,20,000
- Gross profit ratio 25% on sales

9. Compute the return on capital employed (Total assets basis) from the following information-

	X co. limited	Yco. limited
Net Sales	5,00,000	?
Total Assets	?	80,000
Net return on sales	4%	20%

Turnover of total assets (Based on sales) 5 times		?
Gross margin	30%	10,000/-
(25%)		

MODULE IV

10. What do you mean by management accounting? How it is useful for managers?
11. Explain various differences between financial accounting and management accounting?

1. Explain the scope of cost accounting.
2. What is the difference between financial accounting and cost accounting?
3. What are the limitations of cost Accounting?
4. Classify costs under different heads and explain them.
5. Define cost accounting? Explain its various advantages?
6. What are the purpose and uses of cost sheet?
7. How does marginal costing help in various decision making?
8. Enumerate the advantages and disadvantages of Marginal costing.
9. Differentiate between Absorption and Marginal Costing.
10. Explain various items not to be shown in cost sheet?
11. Prepare a statement of cost from the following data to find out profit and cost per unit-

Raw materials consumed	15,000
Direct wages	9,000
Machine hours worked	900
Machine hours rate	5Rs. Per hour
Office overhead	2% of factory cost
Selling overhead	50 paise per unit
Units produced	17,100
Units sold	16,000
Selling price	4 Rs. Per unit

12. A limited has received an order for the supply of three types of casting weighting 36, 90 and 54 tons respectively. 10% of the raw material used are wasted in manufacturing and are sold as scrap for 25% of the cost price of raw material. Material cost Rs. 500 per ton and the wages would amount to Rs. 12,000/-, 31,500/- and 16,500/- respectively. The cost of moulds for casting is Rs. 1,200/-, 1,000/- and 900/- respectively. Factory overheads are to be charged at 30% of wages and administration and other overhead at 20% of works cost. It is desired to earn a profit of 25% on selling price. Ascertain the price to be quoted for the supply of these different types of castings, on the basis of above information.

13. A factory's normal capacity is 1,20,000 units per annum. The estimated cost of production are as under-

Direct Material 3Rs. Per unit
Direct Labour 2Rs. Per unit (minimum 12,000/-p.m.)
Fixed overhead 1,60,000 per annum
Variable overhead 2Rs. Per unit
Semi variable overhead are Rs. 60,000 per annum up to 50% capacity and an extra expense or Rs. 20,000/- per annum for every 20% increase in capacity or a part thereof. Factory worked at 50% capacity for the first 3 months but it was expected to work at 80% capacity for the remaining 9 months. During the first 3 months, the selling price per unit was Rs. 12. What should be the price in the remaining 9 months to earn a total profit or Rs. 2,18,000/-.

MODULE V

14. List out the essentials of a sound system of Budgeting.
15. Define budgeting and budgetary control.
16. State the objective of Budgeting.
17. What is Budgeting? What are the advantages and limitations of Budgeting?
18. What are the essentials of an effective system of Budgeting? Explain.
19. What is a Budget Manual? State briefly the contents of a budget manual.
20. What do you mean by Budgeting? Mention different types of budgets that a big industrial concern would normally prepare.
21. What are the essentials of establishment of sound system of Budgeting?
22. Explain the following:
    i) Budget Committee
    ii) Budget Officer
    iii) Budget Key Factor
    iv) Budget Period

23. Explain in brief different types of budgets.
24. “A budget is a means and budgetary control is the end result”. Explain.
25. State the factors that should be kept in mind while preparing Sales Budget.
26. What are the components of functional budgets?
27. Why is revision of budget necessary?
28. What is a Cash Budget? How is it prepared?
29. What is a Master Budget? What are its Components?
30. State the differences between fixed and flexible budgeting.
31. Define standard costing? Describe the limitations of standard costing? Explain its various advantages?
32. The standard cost of a certain chemical mixture includes 40% material A @ Rs. 22.50 per ton, 60% material B @ Rs.30 per ton. A standard loss of 10% is expected in production. During a period of one month, 90 tons of material A @ Rs. 18 per ton and 110 ton of material B @ 34 per ton were used to produce 182 ton of good production. Calculate all material variances.

33. The budgeted expenses for production of 10,000 units in a manufacturing company are given below. From the information prepare a budget for the production of

(a) 8000 units and

(b) 6000 units.

Assume that the administration expenses are fixed for all levels of production:

	Rs. Per unit
Materials	70
Labour	25
Variable Overheads	20
Fixed Overheads(Rs. 1,00,000)	10

Variable Overheads(Direct)	5
Selling expenses (10% fixed)	13
Administration expenses (Rs. 50,000)	5
Distribution expenses (20% Fixed)	7

	Rs.155
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34. A Company producing electronic watches, estimates the following factory overhead costs for producing 5,000 units:

	Rs.
Indirect Materials	16,000
Indirect Labour	30,000
Inspection Costs	16,000
Heat, Light and Power	8,000
Expendable tools	8,000
Supervision costs	8,000
Equipment depreciation	4,000
Factory rent	4,000

Indirect labour, indirect material and expendable tools are entirely variable. Heat, light and power and inspection costs are variable to the extent of 50%, 40% respectively. Other costs are fixed costs a month. Prepare a flexible budget for production of 4,000 and 6,000 units per month. Also find out the average factory overheads per unit for these two production levels.

35. A manufacturing company is presently working at 50% capacity and produces 1000 units at a cost of Rs. 360 per unit. The details of cost are given below :

	Rs.
Material	200
Labour	60
Factory Overhead	60 (Rs. 24 fixed)
Administrative overheads	40 (Rs. 20 fixed)

	Rs. 360

The current selling price of the product per unit is Rs. 400.
At 60% of its capacity, material cost per unit increases by 2% and selling price per unit falls by 2%.
At 80% of its capacity, material cost per unit increases by 5% and selling price per unit falls by 5%. Estimate profits at 60% and 80% level of output and offer your suggestions.

36. What are fixed and flexible budgets? Differentiate between these two.

37. What do you understand by zero base budgeting? How is it different from traditional budgeting?
38. Why is a variable costing format useful for performance evaluation?
39. What are the three important control ratios? Explain them in brief.
40. A single product manufacturing company is currently producing 12,000 units (at 60% capacity). The following particulars relating to its cost structure are available:

	Per Unit (Rs.)
Direct materials	5
Direct Labour (Variable)	2
Manufacturing overheads (60% fixed)	5
Administrative overheads (fixed)	2
Selling and distribution overheads (40% variable)	3

Cost of sales	17

Profit	3
Selling price	20

You are required to prepare a flexible budget for 60%, 80% and 100% activity levels taking into account the following additional information:
1) If activity exceeds 60%, a 5% quantity discount on raw materials on account of increase in the total quantity will be received
2) The present fixed cost structure will remain constant upto 90% capacity, beyond which a 20% increase in cost is expected.
3) The present unit selling price will remain constant upto 70% activity level, beyond which a 2 ½ % reduction in original price for increase in activity by every 5% is contemplated.

MODULE VI

41. Explain AS3 in reference to Cash Flow Statements.
42. Which AS is applicable while calculating the value of inventories? Explain.
43. Revenue Recognition is important while writing down the accounts. Explain the as in reference to it.
44. What are the general features of IFRS?

MODULE VII

45. What are the objectives of HRA?
46. What is the purpose of HRA?
47. What are the advantages and disadvantages of HRA?
48. What are the different costs incurred on HR?
49. What are the principles of Responsibility Accounting?
50. Write down few considerations in preparation of Responsibility Reports.
51. Define Responsibility Accounting. Write down the different steps involved in making responsibility reports.

MODULE VIII

52. Explain the different factors affecting value of Goodwill.
53. Correlate different features of Goodwill.
54. Differentiate between Pirchased Goodwill and Self generated Goodwill.
55. The average net profits expected of a firm is future are Rs.68000 per years and capital invested in the business by the firm is Rs.3,50,000. The rate of interest expected from capital invested in this class of business is 12%. The remuneration of the partners is estimated to be Rs.8000 for the year. Calculate the value of goodwill on the basis of two years purchase of super profit.
56. Average profit earned by a firm is Rs.75,000 which includes undervaluation of stock of Rs.5000 on average basis. The capital invested in the business is Rs.8,00,000& the normal rate of return is 8 %. Calculate goodwill of the firm on the basis of 5 times the Super Profit.
57. Bharat and Bhusan are partners in a retail business. Balances in Capital & Current Accounts as on 31st March 2019 were

	Capital Account	Current Account
Bharat	Rs.4,00,000	Rs.1,00,000
Bhusan	Rs.4,80,000	Rs.20,000 (Dr)

The firm earned an average profit of Rs.97000. If the normal rate of return is 8%, find the value of goodwill.

58. Average Profit of the firm is Rs.1, 50, 000. Total tangible assets in the firm are Rs.12,00,000& outside liabilities are Rs.7,00,000. In the same type of business, the normal rate of return is 20 %. Calculate the value of goodwill of the firm by Capitalization of Super Profit method if the goodwill is valued at 2 years. Purchase of Super Profit.
59. On 1st April 2018, a firm had assets of Rs.3,00,000 including Cash of Rs.5,000. The Partner's Capital A/c showed a balance of Rs.2, 00, 000 & the Reserve Constituted the rest. If the normal rate of return of is 10 % & the goodwill of the firm is valued at Rs.200,000 at four years purchase of Super Profit. Find the average Profit of the firm.
60. Calculate value of goodwill of the firm -

(a) At 3 years purchase of Average Profit

(b) At 3 year's purchase of Super Profit

(c) On the basis of Capitalization of Super Profit

(d) On the basis of Capitalization of Average Profit

Following Information is given –

(1) Average capital Employed is Rs.6,00,000

(2) Net Profit/(Loss) of the firm for the last 3 years ending are :

31st March 2019	2,00,000
31st March 2018	1,80,000
31st March 2017	1,60,000

(iii) Normal Rate of return in similar business is 10 %

(iv) Remuneration of Rs.1,00,000 to partners is to be taken as charge against profit.

(v) Assets of the firm (excluding goodwill) fictitious assets and Non-trade investments) is Rs.7,00,000 whereas Partner's Capital is Rs.6,00,000 & outside liabilities Rs.1,00,000.

61. The Capital Employed in a firm is Rs.10,00,000& the market rate of interest is 15 %. Annual Salary of the partners is Rs.80,000. the profit of the last 3 years were Rs.3,00,000. Rs.4,00,000& Rs.5,00,000 respectively. Calculate value of goodwill on the basis of 2 years purchase of average super profit of last 3 years.
62. 5. Average profit earned be a firm is Rs.2,50,00 which includes overvaluation of stock of Rs.10,000 on an average basis. Capital invested in the business is Rs.14,00,000& the normal rate of return is 15 %. Calculate goodwill of the firm on the basis of 4 times the Super Profit.
63. Write the importance of Inventory Management.
64. Define:

a. Beginning Inventory
b. EOQ.
c. Reorder Point

65. Delightful Discs has the following inventory data:

Nov.
1 Inventory 30 units @ Rs6.00 each
8 Purchase 120 units @ Rs6.45 each
17 Purchase 60 units @ Rs6.30 each
25 Purchase 90 units @ Rs6.60 each
A physical count of merchandise inventory on November 30 reveals that there are 100 units on hand. Calculate the Ending inventory under LIFO periodic inventory system.

66. Baker Bakery Company just began business and made the following four inventory purchases in June:

June 1	150 units	Rs 1,040
June 10	200 units	Rs1,560
June 15	200 units	Rs1,680
June 28	150 units	Rs1,320
		Rs5.600

A physical count of merchandise inventory on June 30 reveals that there are 210 units on hand. Using the FIFO periodic inventory method, Calculate the amount allocated to ending inventory for June.

Part C

MODULE 1

Q1 Explain the convention of conservatism and materiality along with examples.
Q2 What is accrual basis of accounting? How it is different from cash basis of accounting? Explain the same with the help of examples.

MODULE 3

Q3 Give a specimen of cash flow statement by indirect method using imaginaryfigures?
Q4 Charles Ltd., made a profit of Rs 1,00,000 after charging depreciation of Rs 20,000 on assets and a transfer to general reserve of Rs 30,000. The goodwill amortised was Rs 7,000 and gain on sale of machinery was Rs 3,000.
Other information available to you (changes in the value of current assets and current liabilities) are trade receivables showed an increase of Rs 3,000; trade payables an increase of Rs 6,000; prepaid expenses an increase of Rs 200; and outstanding expenses a decrease of Rs 2,000. Ascertain cash flow from operating activities.

MODULE IV

Q5 Give a specimen of statement of cost (Cost sheet) using imaginary figures?
Q6 Give four examples of factory overhead, administrative overhead, selling overhead and distribution overhead and explain how they are relevant in cost Accounting.

MODULE V

Q7 Why do accountants prepare a budget for a period that is already over when we know the actual results by then? Explain.
Q8 “Performance budgeting requires preparation of periodic performance reports’’ Explain.

MODULE VII

Q9 How is GST more relevant in the present business scenario as against the old tax structure?
Q10 What contributions are being given by HRA and Responsibility Accounting now-a-days to the businesses?