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| **SESSION** | **April 2024** |
| **PROGRAM** | **bachlor OF BUSINESS ADMINISTRATION (BBA)** |
| **SEMESTER** | **IV** |
| **course CODE & NAME** | **DBB2203 - mANAGEMENT ACCOUNTING** |
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**Assignment Set – 1**

**1. Write a note on:**

**a. Functions of Management Accounting.**

**b. Difference between Management accounting and Cost accounting.**

**Ans 1a.**

**Functions of Management Accounting.**

The basic function of management accounting is to assist the management to perform various managerial functions such as planning, organising, directing and controlling effectively.

**The various specific functions are:**

**Provision of data –** Management accounting provides valuable data to the management for the formulation of future policies and plans. The accounts and documents maintained under

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**Ans 1b.**

**Difference between Management Accounting and Cost Accounting**

Management accounting and cost accounting are both essential disciplines within the field of accounting, each serving distinct purposes that cater to different aspects of business management. Understanding the differences between the two is crucial for effective financial planning and strategy execution.

**Purpose and Scope:**

Management accounting is a broader field that involves providing financial and non-financial

**2. Explain the importance of fund flow statement. Draw the Format of statement of change in working capital.**

**Ans 2.**

**The importance of fund flow statement:-**

**Analysis of financial position:** The basic purpose of preparing the statement is to have a look into the financial operations. It analyses how the funds were obtained and used in the past. Hence, it is a valuable tool for the finance manager for analysing the past and future plans of the firm and their impact on the liquidity. The manager can deduce the reasons for the imbalances in uses of funds in the past and take necessary corrective actions.

**In analysing the financial position of the firm, the funds flow statement provides**

**3. Prepare Flexible Budget at 50%, 80% and 100 % Capacity.**

|  |  |
| --- | --- |
| **Production at 50% Capacity** | **5,000 Units** |
| **Raw Materials** | **Rs. 60 per unit** |
| **Direct Labor** | **Rs.40 per unit** |
| **Direct Expenses** | **Rs.10 per unit** |
| **Factory Expenses (Rent)** | **Rs.50,000 (Fixed)** |
| **Administration Expenses** | **Rs.60,000 (60 %Variable)** |
| **Distribution Expenses** | **Rs. 20,000 (40 % Variable)** |
| **Variable Factory Expenses** | **Rs. 10 per unit** |

**Ans 3.**

A flexible budget adjusts costs based on different levels of activity, providing a more accurate reflection of costs at various production levels.

**Here, it prepare a flexible budget for production at 50%, 80%, and 100% capacity.**

**Assumptions:** 50% Capacity: 5,000 units 80% Capacity: 8,000 units 100% Capacity: 10,000 units

**Costs per Unit:**

**Raw Materials:** Rs. 60 per unit Direct Labour: Rs. 40 per unit

**Direct Expenses:** Rs. 10 per unit Variable Factory Expenses: Rs. 10 per unit

**Fixed Costs:** Factory Expenses (Rent): Rs. 50,000

**Administration Expenses:** Rs. 60,000 (60% Variable, 40% Fixed)

**Assignment Set – 2**

**4. Explain the meaning, scope, and functions of Management Accounting.**

**Ans:**

**Meaning of Management accounting**

Management accounting is the accounting that provides necessary information to the management for discharging functions such as planning, organising, directing and controlling the financial functions in an efficient manner. It is concerned with the interpretation of accounting information to guide the management for future planning, decision making, controlling, etc. Management accounting is a blend of financial accounting, cost accounting and financial management to serve as a good guide to management in planning, coordinating,

**5. Statement of Profit and Loss of XYZ Ltd.**

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| --- | --- | --- |
| **Particulars** | **31st March 2020** | **31st March 2021** |
| 1. **Revenue from Operation (Sales)** | **7,00,000** | **8,50,000** |
| 1. **Other Income** | **30,000** | **30,000** |
| 1. **Total Revenue(I+II)** | **7,30,000** | **8,80,000** |
| 1. **Expenses** 2. **Material Consumed** 3. **Manufacturing Expenses** 4. **Other Expenses** | **3,30,000**  **1,20,000**  **1,60,000** | **4,20,000**  **1,30,000**  **1,70,000** |
| **Total** | **5,70,000** | **6,80,000** |
| 1. **Profit Before Tax (III-IV)** | **1,60,000** | **2,00,000** |
| 1. **Tax @ 50%** | **80000** | **1,00,000** |
| 1. **Profit After Tax (V-VI)** | **80,000** | **1,00,000** |

**a. Prepare a Comparative Statement of Profit and Loss?**

**b. As a management accountant, you must write an interpretation of the comparative statement of profit and loss.**

**Ans 5a.**

**Comparative Statement of Profit and Loss**

A comparative statement of profit and loss shows the financial performance of a company over two periods, highlighting the changes in each line item.

Here, we will prepare a comparative statement for XYZ Ltd. for the years ending 31st March 2020 and 31st March 2021. XYZ Ltd. Comparative Statement of Profit and Loss For the

**Ans 5b.**

Interpretation of the Comparative Statement of Profit and Loss

**As a management accountant, here's an analysis of the comparative statement of profit and loss for XYZ Ltd.:**

**Revenue from Operations:**

The company's revenue from operations (sales) increased by Rs. 1,50,000, or 21.43%, from Rs. 7,00,000 in 2020 to Rs. 8,50,000 in 2021.

This significant increase suggests strong sales performance and possibly an expansion in

**6. Explain the concept of capital budgeting and discuss the various methods commonly used for evaluating investment projects. Provide example to illustrate any two methods.**

**Ans 6.**

**Concept of Capital Budgeting**

Capital budgeting, also known as investment appraisal, is a fundamental financial management tool used by companies to evaluate large-scale investment projects. This process involves the analysis of a project's potential expenditures and returns over a period to determine whether the returns generated meet a sufficient target benchmark, ideally exceeding the costs. The aim of capital budgeting is to enhance a company’s value by investing in projects that promise positive returns and align with the strategic goals of the