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| **SESSION** | **March 2024** |
| **PROGRAM** | **Bachelor of Commerce (B.Com)** |
| **SEMESTER** | **5** |
| **course CODE & NAME** | **Dcm3101 - management accounting** |
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|  |  |

**Assignment Set – 1**

**1. The following data is available of a manufacturing company for a yearly period at a 50% capacity level:**

|  |  |
| --- | --- |
| **Fixed Expenses:** | **(Rs. Lakhs)** |
| **Wages & Salaries** | **9.50** |
| **Rent, rates, and taxes** | **6.60** |
| **Depreciation** | **7.40** |
| **Sundry administrative expenses** | **6.50** |
| **Semi- Variable Expenses (at 50% Capacity)** |  |
| **Maintenance and repairs** | **3.50** |
| **Indirect Labour** | **7.90** |
| **Sales department salaries** | **3.80** |
| **Sundry administrative expenses** | **2.80** |
| **Variable expenses (at 50% Capacity)** |  |
| **Materials** | **21.70** |
| **Labour** | **20.40** |
| **Other expenses** | **7.90** |
|  | **98.00** |

**Assume that the fixed expenses remain constant for all levels of production, and semi-variable expenses remain constant between 45% and 65% of capacity, increasing by 10% between 66% and 79% capacity and by 20% between 80% and 100% capacity. Sales at various levels are:**

|  |  |
| --- | --- |
| **50% Capacity** | **100 Lakhs** |
| **60% Capacity** | **120 Lakhs** |
| **75% Capacity** | **150 Lakhs** |
| **100% Capacity** | **200 Lakhs** |

**Prepare a flexible budget for the year and forecast the profits at 60%, 75%, and 100% capacity.**

**Ans 1.**

To calculate the profits at 60%, 75%, and 100% capacity levels, we'll start by calculating the total expenses at each capacity level. These expenses include fixed, semi-variable, and variable expenses.

**Fixed Expenses**

These expenses are constant regardless of the capacity level:

Here are the detailed tables for expenses and profits at different capacity levels:

**1. Fixed Expenses (constant across all capacities)**

|  |  |
| --- | --- |
| **Expense Category** | **Amount (in lakhs)** |
| Wages & Salaries | 9.50 |
| Rent, Rates, and Taxes | 6.60 |
| Depreciation | 7.40 |
| Sundry Administrative | 6.50 |
| **Total Fixed Expenses** | **9.50+6.60+7.40+6.50 = 30.00 lakhs** |

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**2. Describe the functions of management accounting. Also, elaborate on how management accounting interfaces with financial accounting and cost accounting branches.**

**Ans 2.**

**Functions of Management Accounting**

Management accounting, a key branch of accounting, plays a crucial role in decision-making, planning, and controlling processes within an organization. Its primary functions are to assist management in financial planning and analysis, make strategic decisions, and optimize day-to-day operations.

**Decision Making** One of the core functions of management accounting is aiding in decision making. Management accountants analyze financial information to project future trends and outcomes. Their reports help managers make informed decisions regarding product

**3. The following figures of sales and profits for two periods are available in respect of a concern:**

|  |  |  |
| --- | --- | --- |
|  | **Sales (Rs.)** | **Profit (Rs.)** |
| **Period I** | **100000** | **15000** |
| **Period II** | **120000** | **23000** |

**You are required to find out:**

1. **P/V Ratio**
2. **Fixed cost**
3. **Break-even point**
4. **Profit at an estimated sale of Rs.125000**
5. **Sales required to earn a profit of Rs.20000**

**Ans 3.**

To solve these questions, let's go through a systematic analysis:

**Step 1: Calculate the P/V Ratio**

The P/V Ratio (Profit/Volume Ratio), also known as the Contribution Margin Ratio, is calculated using the change in profits and sales between two periods. This ratio represents the contribution per unit of sales that goes toward covering fixed costs.

The formula to calculate the P/V Ratio is:

P/V Ratio=Δprofit/Δsales

=(23000−15000)/(120000−100000)

**Assignment Set – 2**

**4. Write a brief note on:**

**1. Cash flow statement.**

**2. Responsibility accounting.**

**Ans 4.**

**Cash Flow Statement**

A cash flow statement is a financial report that provides a detailed analysis of the inflows and outflows of cash in an organization during a specific period. This statement is crucial for assessing the liquidity and financial flexibility of a company. Unlike the income statement, which is based on the accrual principle that recognizes income when earned and expenses when incurred, the cash flow statement reflects only actual cash transactions. It helps

**5. The following is the Balance sheet of Praveen Ltd. as on 31st Dec 2022 and 31st Dec 2023:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Liabilities** | **2022** | **2023** | **Assets** | **2022** | **2023** |
| **Share capital** | **2,00,000** | **2,50,000** | **Land & Building** | **2,00,000** | **1,90,000** |
| **General Reserve** | **50,000** | **60,000** | **Plant** | **1,50,000** | **1,74,000** |
| **Profit & Loss A/c** | **30,500** | **30,600** | **Stock** | **1,00,000** | **74,000** |
| **Bank Loan (Short Term)** | **70,000** | **-** | **Debtors** | **80,000** | **64,200** |
| **Creditors** | **1,50,000** | **1,35,200** | **Cash** | **500** | **600** |
| **Provision for taxation** | **30,000** | **35,000** | **Bank** | **-** | **8,000** |
|  | **5,30,500** | **5,10,800** |  | **5,30,500** | **5,10,800** |

**Additional information:**

1. **Depreciation was written off on plant Rs.14,000 in 2023.**
2. **Dividend of Rs.20,000 was paid in2023.**
3. **Income tax provision made during the year was Rs.25,000**
4. **A piece of land has been sold during the year at cost.**

**You are required to prepare a Funds flow statement showing sources and application of funds for the year 2023 and a schedule of changes in working capital.**

**Ans 5.**

**Step 1: Prepare the Funds Flow Statement for 2023**

To prepare the Funds Flow Statement, we need to identify the sources of funds and the applications of funds for the year 2023.

**Sources of Funds:**

**1. Opening Balance:** The opening balance of funds is the balance carried forward from the previous year, which is Rs. 5,30,500 (as per the Balance Sheet).

**2. Depreciation Adjustment:** Depreciation of Rs. 14,000 was written off on plant, which

**6. Describe the objectives of preparing management reports. Also, mention the broad classification of types of management reports.**

**Ans 6.**

**Objectives of Preparing Management Reports**

**Facilitating Decision-Making**

One of the primary objectives of preparing management reports is to facilitate decision-making within an organization. These reports provide managers with timely, accurate, and relevant information that helps them make informed decisions about strategic planning, resource allocation, and operational improvements. By analyzing these reports, managers can