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| **SESSION** | **JULY-AUGUST 2024** |
| **PROGRAM** | **BACHELOR OF BUSINESS ADMINISTRATION (BBA)** |
| **SEMESTER** | **4** |
| **COURSE CODE & NAME** | **DBB2203 MANAGEMENT ACCOUNTING** |
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**Assignment Set – 1**

**1. What is material variance and its types? Explain each variance with examples and formulas.**

**Ans 1.**

**Material Variance and Its Types**

Material variance refers to the difference between the standard cost of materials allowed for actual production and the actual cost incurred. It helps management analyze the efficiency and effectiveness of material procurement and usage in production. By identifying these variances, businesses can determine whether costs are being managed efficiently and take corrective actions if needed.

Material variance can be divided into the following types:

**1. Material Cost Variance (MCV)**

**Formula:**

$$MCV=\left(Standard Cost of Material-Actual Cost of Material\right)$$

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**2. What do you mean by Cash Flow Statement. How Cash Flow Statement is different from Fund flow Statement.**

**Ans 2.**

**Cash Flow Statement**

A **Cash Flow Statement** is a financial report that provides information about a company’s cash inflows and outflows over a specific period. It helps stakeholders understand how a business generates and uses cash to operate, invest, and finance its activities. The statement categorizes cash flows into three main activities:

* **Operating Activities:** These include cash flows from the primary revenue-generating activities of the business, such as cash receipts from sales and payments for goods,

**3. Prepare Flexible Budget at 50%, 70% and 90 % Capacity.**

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

**Ans 3.**

### **Flexible Budget Preparation**

To prepare a flexible budget at 50%, 70%, and 90% capacities, we follow these steps:

### **Step 1: Determine Units of Production**

At 50% capacity, the production is 5,000 units. For 70% and 90%, production increases proportionally:

$$Production at x\%=Units at 50\%×\left(\frac{x}{50}\right)$$

* **50% Capacity:** $5,000 units$

**Assignment Set – 2**

**4. Write a note on:**

**a. Functions of Management Accounting**

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

**Ans 4.**

**a. Functions of Management Accounting**

Management accounting plays a pivotal role in supporting internal decision-making processes within an organization. Its primary function is to collect, analyze, and present financial and non-financial information to managers, enabling them to plan, control, and make informed decisions. One of its core functions is planning, where management accountants assist in setting short-term and long-term goals by preparing budgets and forecasts. These plans help organizations allocate resources efficiently and prepare for future challenges.

Another key function is controlling, where management accounting monitors organizational

**5. XYZ company expects the following net cash inflows for the next five years: Rs 20,000, Rs.25,000, Rs.30,000, Rs.35,000, and Rs.40,000 respectively from the Project. The initial investment of project is Rs.50,000.**

**Calculate:**

**a. Payback period**

**b. Post payback profitability**

**c. Net present value when the discount rate is 10%.**

### **Solution**

Given the data:

* Initial Investment: ₹50,000
* Net Cash Inflows over 5 years: ₹20,000, ₹25,000, ₹30,000, ₹35,000, ₹40,000
* Discount Rate: 10%

### **a. Payback Period**

The **Payback Period** is the time it takes to recover the initial investment from the project's net cash inflows.

1. **Cumulative Cash Flow Calculation**:
* Year 1: ₹20,000 (Cumulative: ₹20,000)
* Year 2: ₹25,000 (Cumulative: ₹45,000)

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

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| --- | --- | --- |
| **Particulars** | **31st March 2023** | **31st March 2024** |
| **I. Revenue from Operation (Sales)** | **7,00,000** | **8,50,000** |
| **II. Other Income** | **30,000** | **30,000** |
| **III. Total Revenue (I+II)** | **7,30,000** | **8,80,000** |
| **IV. Expenses** |  |  |
| **a. Material Consumed** | **3,30,000** | **4,20,000** |
| **b. Manufacturing Expenses** | **1,20,000** | **1,30,000** |
| **c. Other Expenses** | **1,20,000** | **1,30,000** |
| **Total** | **5,70,000** | **6,80,000** |
| **V. Profit Before Tax (III-IV)** | **1,60,000** | **2,00,000** |
| **VI. Tax @ 50%** | **80,000** | **1,00,000** |
| **VII. Profit After Tax (V-VI)** | **80,000** | **1,00,000** |

**Questions:**

**a. Prepare a Common Size Statement of Profit and Loss.**

**b. As a management accountant, write an interpretation of the Common Size Statement of Profit and Loss.**

**Ans 6.**

### **Preparation of Common Size Statement of Profit and Loss**

A **Common Size Statement** expresses each item in the profit and loss account as a percentage of total revenue. This approach helps analyze the proportional changes and compare financial performance over multiple years.

### **Steps to Prepare Common Size Statement**

**1. Identify the Line Items**: Each line item from the statement of profit and loss is taken, including revenues, expenses, and profits.