



Seat No. : _____

NI-118

November-2025

M.Com. (HPP), Sem.-III

CC-14 : Management Accounting-I

Time : 2:30 Hours]

[Max. Marks : 70

1. Explain the difference between Management Accounting and Financial Accounting. 14

OR

1. From the following details of Shanti Ltd. for the year 2024-25, calculate and explain the material cost variance as per : 14

- (i) Opportunity cost approach and
(ii) Traditional approach

Standard cost of materials per unit of finished product : 10 kgs. at ₹ 10 per kg.

Actual production : 4,000 units

Actual material cost : 48,000 kgs. at the cost of ₹ 5,28,000.

The changes in the government policy relates to import-export resulted in the possible purchase price of ₹ 8 per kg.

2. PQR Ltd. produces and markets a very popular product called 'PINGU'. The company is interested in presenting its budget for the period January to March, 2026. The following information are made available for this purpose : 14

- (1) It expects to sell 50,000 bags of PINGU during the period at the selling price of ₹ 9 per bag.
(2) Each bag of PINGU required 2.5 kgs. of raw material 'x' and 7.5 kgs of raw material 'y'.
(3) Stock levels are planned as follows:

	01.01.2026	31.03.2026
Finished bags of PINGU (Nos.)	15,000	11,000
Raw material 'x' (kgs.)	32,000	26,000
Raw material 'y' (kgs.)	57,000	47,000
Empty bags (Nos.)	37,000	28,000

- (4) 'x' costs ₹ 1.20 per kg 'y' costs ₹ 0.20 per kg. and empty bag costs ₹ 0.80 each.
- (5) It requires 9 minutes of direct labour time to produce and fill one bag of PINGU. Labour cost is ₹ 5 (five) per hour.
- (6) Variable manufacturing costs are ₹ 0.45 per bag. Fixed manufacturing cost ₹ 30,000 for the period.
- (7) Variable selling and administration expenses are 5% of sales. Fixed selling and administration expenses are ₹ 25,000 for the period.

You are required to :

- (a) Prepare a Production Budget for January to March, 2026.
- (b) Prepare Raw Materials Purchase Budget for 'x', 'y' and empty bags for the said period in quantity as well as in rupees.
- (c) Compute the budgeted variable cost to produce one bag of PINGU and
- (d) Prepare a statement of budgeted net income of 50,000 bags for the said period and show both per unit and total cost data.

OR

2. Explain the advantages and disadvantages of Budgetary Control. 14
3. Explain the difference between Partial plan and Single plan. 14

OR

3. ABC Ltd. manufactures a standard product. Annual budget for production is 20,000 units, but actual production and sales were 18,000 units. Direct wages standard rate per hour is ₹ 4 and variable overhead standard rate per hour is ₹ 5.

Other information is as under :

14

Particulars	Per Unit Standard Cost ₹	Actual Cost ₹
Direct materials	10	1,85,000
Direct wages	12	2,18,000
Variable overheads	15	2,71,000
Fixed overheads	8	1,63,000
Actual sales	—	9,10,000

Information of Variances :

- (i) Direct material rate variance and direct material usage variances are unfavourable. Ratio is 2:3.
- (ii) Direct labour rate is favourable but labour efficiency variance is unfavourable. Ratio is 1:2.
- (iii) Variable overheads expenditure variance is favourable and variable overhead efficiency variance is unfavourable. Ratio is 5:6.
- (iv) Fixed overheads variance is unfavourable and fixed overheads quantity variance is unfavourable. Ratio is 1.5:8.
- (v) Sales price variance is favourable ₹ 10,000.

Find out actual profit and budgeted profit and prepare reconciliation statement.

4. (A) The production manager must decide whether or not to investigate the material usage variance reported in September, 2025. He believes that there might be 0.3 probability that the variance is controllable, but the cost of investigating the matter would be ₹ 1,470 and further ₹ 2,100 would be incurred, if control action is found to be necessary.
- (i) What must be the minimum expected benefits from the control action to justify investigation of the material usage variance ?
- (ii) If it is estimated that total savings are ₹ 10,500 before deducting costs of control action, what would be the minimum required probability that the variance is controllable in order to justify investigating the variance ? 7
4. (B) Explain Cusum Chart. 7

OR

4. (A) Explain the problems arising in Controllability of variance. 7
4. (B) ABC Company Limited operates a standard costing system in its factory. Based on its past record, it appears that the material cost variance happens to be ₹ 12,000 a month, on an average. If the cause of the variance can be found and is correctible, the correction process will require two months. This correction is likely to have favourable effect for a period of two months.
- The investigation of variance will cost ₹ 2,000. Correction of the cause of variance will cost ₹ 4,000 and the probability for finding the cause is 0.40.
- (i) Would you recommend launching an investigation ? Why ?
- (ii) What is the minimum probability of finding a correctable cause that would justify an investigation ? 7

5. Select the appropriate alternative : (Attempt any **seven** out of **given**) 14
- (1) One of the following is not within the scope of Management Accounting.
- (A) Formulation of policies.
- (B) Classification and collection of costs.
- (C) Decision making on alternative courses of action.
- (D) Planning and co-ordinating the activities of the business enterprise.
- (2) Which of the following method is not a method of Management Accounting ?
- (A) Marginal costing (B) Material Costing
- (C) Budgetary control (D) Standard costing
- (3) Operating Variance = _____.
- (A) Original standards – Revised standards
- (B) Revised standards – Actual results
- (C) Original standards – Actual results
- (D) None of the above

- (4) As per opportunity cost approach material price variance = _____
- (A) Actual Quantity (Standard Price – Actual Price)
 (B) Actual Quantity (Revised Standard Price – Actual Price)
 (C) Standard Quantity (Actual Price – Standard Price)
 (D) None of the above
- (5) Material Cost Variance = _____.
- (A) Material Usage Variance + Material Yield Variance
 (B) Material Price Variance + Material Yield Variance
 (C) Material Price Variance + Material Usage Variance
 (D) Material Price Variance + Material Mix Variance
- (6) Under Single plan method, Material Price variance is separated at the time of _____.
- (A) Sales
 (B) Purchase
 (C) After completion of production
 (D) None of the above
- (7) Budget which remains unchanged regardless of the actual level of activity is known as
- (A) Fixed budget (B) Functional budget
 (C) Flexible budget (D) Cash budget
- (8) Which of the following is not a Cost Variance Investigation Model ?
- (A) Profit-Volume Model
 (B) Control Charts Model
 (C) Materiality Significance Model
 (D) None of the above
- (9) In the formula $C < (1 - P) L$, C denote for -
- (A) Cost of corrective measures (B) Cost of investigation
 (C) Cost of control (D) None of the above
- (10) Which of the following would be found in a cash budget ?
- (A) Capital expenditure (B) Provision for doubtful debts
 (C) Depreciation (D) Accrued expenditure
- (11) Expenses which are directly fluctuate with production and sales are _____.
- (A) Fixed expenses (B) Variable expenses
 (C) Semi-variable expenses (D) None of the above
- (12) Material Cost Variance = – 12,725 (A)
 Material Usage Variance = + 6,975 (F)
 Material Price Variance = (?)
- (A) ₹ +19,700 (F) (B) ₹ –19,700 (A)
 (C) ₹ + 5,750 (F) (D) ₹ – 5,750 (A)