

## IMBA in FS Sem.-7 Examination

FS-704

## Management Accounting &amp; Decision Making

Time : 2.30 Hours]

December-2025

[Max.Marks : 70

**Instructions:**

- **Figures to the right indicate Full Marks.**
- **Do not write anything on the question paper.**
- **Simple calculator is allowed. Do not use a scientific calculator.**

Q.1	Explain the Scope of Management Accounting.	14																								
	<b>OR</b>																									
Q.1	Explain the Importance and limitations of Management Accounting.	14																								
Q.2	<p>A Company is manufacturing a product mark an average net profit of ₹ 2.50 per piece on a selling price of ₹ 14.30 by producing and selling 6,000 pieces or 60% of the capacity. His cost of sales is as under:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Particulars</th> <th>Rs.</th> </tr> </thead> <tbody> <tr> <td>Direct Materials</td> <td>3.50</td> </tr> <tr> <td>Direct Wages</td> <td>1.25</td> </tr> <tr> <td>Works overheads (50% fixed)</td> <td>6.25</td> </tr> <tr> <td>Sales overheads (25% variable)</td> <td>0.80</td> </tr> </tbody> </table> <p>During the current year, he intends to produce the same number but anticipates that fixed charges will go up by 10%, with direct labour rate and material will increase by 8% and 6% respectively but he has no option of increasing the selling price. Under this situation, he obtains an offer for further 20% of the capacity. What minimum price you will recommend for acceptance to ensure the manufacturer an overall profit of ₹ 16,730.</p>	Particulars	Rs.	Direct Materials	3.50	Direct Wages	1.25	Works overheads (50% fixed)	6.25	Sales overheads (25% variable)	0.80	14														
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	<p>Comment on profitability of each product, if both use the same raw material, when: (i) Total sales potential in units is key factor. (ii) Total sales potential in values is key factor. (iii) Raw material is in short supply. (iv) Production Capacity (in terms of machine hr.) is the key factor.</p>																					
Q.3	<p>What is Responsibility Accounting? Explain Profit centre in detail.</p> <p style="text-align: center;"><b>OR</b></p> <p>Division A and B are both considering an outlay on new investment projects.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">Division A (Rs.)</th> <th style="text-align: center;">Division B (Rs.)</th> </tr> </thead> <tbody> <tr> <td>Investment</td> <td style="text-align: center;">1,00,000</td> <td style="text-align: center;">1,00,000</td> </tr> <tr> <td>Net return on new investments</td> <td style="text-align: center;">16,000</td> <td style="text-align: center;">11,000</td> </tr> <tr> <td>Current ROI</td> <td style="text-align: center;">18%</td> <td style="text-align: center;">11%</td> </tr> </tbody> </table> <p>The company's cost of capital is 13%. Should the project be accepted or rejected by finding out ROI on New Investment?</p>	Particulars	Division A (Rs.)	Division B (Rs.)	Investment	1,00,000	1,00,000	Net return on new investments	16,000	11,000	Current ROI	18%	11%	14  14								
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Q.4	<p>What is transfer price? Explain the concept of International transfer price.</p> <p style="text-align: center;"><b>OR</b></p> <p>A company is organised into two divisions A and B produces three products K, L and M. Per unit data is given below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">K</th> <th style="text-align: center;">L</th> <th style="text-align: center;">M</th> </tr> </thead> <tbody> <tr> <td>Market Price</td> <td style="text-align: center;">Rs. 120</td> <td style="text-align: center;">Rs. 115</td> <td style="text-align: center;">Rs. 100</td> </tr> <tr> <td>Variable cost</td> <td style="text-align: center;">Rs. 84</td> <td style="text-align: center;">Rs. 60</td> <td style="text-align: center;">Rs. 70</td> </tr> <tr> <td>Labour hours</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> <td style="text-align: center;">3</td> </tr> <tr> <td>Maximum sales potential units</td> <td style="text-align: center;">1,600</td> <td style="text-align: center;">1,000</td> <td style="text-align: center;">6,00</td> </tr> </tbody> </table> <p>Division B has a demand for 6,00 units of product L for its use. If division A cannot supply the requirement, division B can buy a similar product from market at Rs. 112 per unit. What should be the transfer price of 6,00 units of L for Division B if labour hours are limited to 15,000?</p>	Particulars	K	L	M	Market Price	Rs. 120	Rs. 115	Rs. 100	Variable cost	Rs. 84	Rs. 60	Rs. 70	Labour hours	4	5	3	Maximum sales potential units	1,600	1,000	6,00	14  14
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Q.5	<p><b>Answer the short questions. (Write 7 out of 10)</b></p> <ol style="list-style-type: none"> <li>1. Which are three branches of accounting?</li> <li>2. Write two characteristics of Management Accounting.</li> <li>3. State 2 Difference between Financial Accounting and Cost Accounting.</li> <li>4. What is Opportunity Cost?</li> <li>5. Explain the term "Relevant Cost".</li> </ol>	14																				
	<ol style="list-style-type: none"> <li>6. Explain ROI with example.</li> <li>7. What is Residual Income?</li> <li>8. Explain full cost method from transfer price.</li> <li>9. Explain any two objectives of transfer price.</li> <li>10. What is transfer price?</li> </ol>																					