

MBFM 3005 R

M.B.A. DEGREE EXAMINATION, MAY 2026.

Third Semester

Finance Management

MANAGEMENT ACCOUNTING

(2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (5 × 4 = 20 marks)

Answer any FIVE questions.

1. State any four benefits of implementing Responsibility Accounting.
2. List and explain any four determinants of Responsibility Centers.
3. Illustrate any two non-operating functional budgets with brief examples.
4. Interpret how cash budgeting helps avoid liquidity problems.

5. A company produces toy cars. The following information is available:

Selling Price per unit = Rs.80

Variable Cost per unit = Rs.50

Fixed Costs = Rs. 75,000

- (a) Calculate the Break-Even Point in units.
(b) Calculate the Break-Even Point in sales value (Rs).
6. Interpret the cash flow from financing activities using indirect method.
7. Categorize the various types of reports based on their purpose and use.
8. Compare the type of decisions made at different levels

PART B — ($5 \times 8 = 40$ marks)

Answer any FIVE questions.

9. Compare and contrast cost centers, profit centers, and investment centers with examples for each.
10. Describe the importance of responsibility accounting in decentralized organizations. Illustrate with examples.

11. XYZ Enterprises wants to prepare a cash budget for the months of April, May, and June. The following details are available:

Estimated Sales (Rs):

Month	Sales
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March	60,000
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April	75,000
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May	85,000
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June	90,000
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- 30% of sales are cash sales
- 70% of sales are credit sales (collected one month after sale)

Estimated Purchases (Rs):

Month	Purchases
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April	40,000
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May	45,600
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June	50,000
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- All purchases are paid in the next month
- Expenses:

- Salaries: Rs.10,000 per month
- Office Rent: Rs.4,000 per month

- Equipment Purchase in May: Rs. 18,000 (cash) Opening Cash Balance on 1st April: Rs.15,000

Prepare a Cash Budget for April, May, and June.

12. ABC Ltd. produces and sells two products: Product A and Product B. The standard and actual sales data for a particular month are as follows:

Standard Sales Data:

Product	Units	Price Der Unit (Rs)
A	500	100
B	300	150

Actual Sales Data:

Product	Units	Price Der Unit (Rs)
A	550	95
B	250	160

Calculate the following:

- Sales Price Variance (SPV)
 - Sales Volume Variance (SVV)
13. Explain the concept of a make or buy decision with an example

14. A company makes a part at a cost of Rs.100 per unit (Rs.60 variable + Rs.40 fixed). An outside supplier offers the same part at Rs.70. If the company can avoid Rs.30 of fixed costs by not making the part, should the company make or buy 1,000 units? Interpret your result.
15. Compare traditional costing with Activity-Based Costing. Analyze how ABC improves cost accuracy and decision-making with an example of overhead allocation.
16. Explain the concept of a decision tree. How does it aid managerial decision-making under uncertainty?

PART C — (1 × 15 = 15 marks)

Answer the following

17. Case Study (Compulsory)
- Green Tech Appliances Pvt. Ltd., a manufacturer of eco-friendly home appliances, has been expanding rapidly. Despite high profits, the company is facing a liquidity crunch. The CFO suspects that working capital might be getting tied up in non-operating activities and decides to conduct a Fund Flow Analysis to identify the reasons behind the declining cash position. The following are the Balance Sheets for the years ended 2023 and 2024.

Balance Sheets (Rs in Lakhs)

Particulars	31 st March 2023	31 st March 2024
Equity Share Capital	600	600
General Reserve	100	130
Profit & Loss A/c	80	110
10% Debentures	120	150
Sundry Creditors	100	120
Bills Payable	30	25
Provision for Tax	40	60
Proposed Dividend	50	70
Land & Buildings	500	600
Plant & Machinery	300	340
Stock	120	160
Sundry Debtors	90	100
Cash & Bank	60	30
Prepaid Insurance	20	25

Additional Information:

- (a) Depreciation on Plant & Machinery during the year: Rs.40 lakhs
- (b) A building was purchased during the year for Rs.150 lakhs
- (c) Dividends paid during the year: Rs.55 lakhs
- (d) Income tax paid during the year: Rs.45 lakhs
- (e) A machine with a book value of Rs.20 lakhs was sold for Rs.15 lakhs

Prepare the following:

- (i) Statement of Changes in Working Capital
- (ii) Fund Flow Statement for the year ended 31st March 2024
- (iii) Analyze the reasons for the decline in cash and bank balance, and suggest possible actions for management.