2026

COMMERCE

M.Com 2nd Semester

Course No: CM804C

(Accounting for Managerial Decisions)

Full Marks: 60

Time: 3 hours

The questions are of equal value

The figures in the margin indicate full marks for the questions

*Answer **all** questions*

1. a) Discuss in detail the functions of management accounting. Explain the nature and scope of management accounting. **(4+4+4=12)**

(OR)

b) How does management accounting differ from financial accounting? Highlight the importance and limitations of management accounting? **(4+4+4=12)**

2. a) The following information relates to a flexible budget at 60% capacity. Find out the overhead costs at 50% and 70% capacity and also determine the overhead rates:

Particulars	Expenses at 60%
Variable Overheads:	
Indirect labour	10,500
Indirect Material	8,400
Semi variable overheads:	
Repairs and maintenance (70% fixed, 30% variable)	7,000
Electricity (50% fixed, 50% variable)	22,500
Fixed overhead:	
Office expenses including salaries	70,000
Insurance	4,000
Depreciation	20,000
Estimated direct labour hours	1,20,000

(12)

(OR)

b) The monthly budget for manufacturing overheads of a concern for two levels of activity were as follows,

Capacity	60%	100%
Budgeted Production(units)	**600**	**1,000**
	(₹)	(₹)
Wages	1,200	2,000
Consumable stores	900	1,500
Maintenance	1,100	1,500
Power and fuel	1,600	2,000
Depreciation	4,000	4,000
Insurance	1,000	1,000
Total Cost	**9,800**	**12,000**

You are required to:

i. Indicate which of the items are fixed, variable and semi-variable.

ii. Prepare a budget for 80% capacity, and

iii. Find the total cost, both fixed and variable per unit of output at 60%, 80% and100% capacity. **(4+4+4=12)**

3. a) A company manufactures Product A and Product B during the year 31st December, 2025, it is expected to sell 15,000 kgs of Product A and 75,000 kgs of Product B at ₹30 and ₹16 per kg respectively. The direct materials P, Q and R are mixed in the proportion of 3 : 5 : 2 in the manufacture of Product A, and Materials Q and R are mixed in the proportion of 1 : 2 in the manufacture of Product B. The actual and budgeted inventories for the year are given below:

	Opening Stock	**Estimated Closing Stock**	**Anticipated cost per kg**
	(kg)	**(kg)**	**(₹)**
Material P	4,000	3,000	12
Material Q	3,000	4,000	10
Material R	30,000	9,000	8
Product A	3,000	1,500	–
Product B	4,000	4,500	–

Prepare the Production Budget and Materials Budget showing the expenditure on purchase of materials for the year ending 31st December, 2025. **(12)**

(OR)

b) What is meant by zero base budgeting? What are the different steps involved in it and how is it useful to the business? **(3+5+4=12)**

4. a) A factory is engaged in producing a product using two grades of materials, A and B, mixed in the ratio of 6:4. The standard price of material A is ₹ 5 per unit and that of B ₹ 4 per unit. Normal production loss is expected at 10%. Due to a materials shortage, it was not possible to use the standard mix. However, normal loss is still expected to be 10% as earlier.

The actual result was as follows:

Material A	310 tons at ₹ 4.20
Material B	130 tons at ₹ 4

Actual production is 400 tons.

Calculate MCV, MPV, MUV, MMV, and MYV **(2+2+2+3+3=12)**

(OR)

b) From the following information, calculate various overhead variances:

	Budget	Actual
Output in units	12000	14000
Number of working days	20	22
Fixed Overheads	36000	49000
Variable Overheads	24000	35000

There was an increase of 5% in capacity. **(12)**

5. a) What is Management Report. Explain the objectives and need of management reporting in business organizations. **(3+9=12)**

(OR)

b) Distinguish between Financial Audit and Management Audit with suitable examples and discuss their advantages and limitations. **(4+4+4=12)**

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