(Please write your Exam Roll No.) Exam Roll No. 50817088824

END TERM EXAMINATION

FOURTH SEMESTER [BCOM(HONS)] MAY-JUNE-2026

Paper Code: BCOM202 BCOM-204 **Subject: Management Accounting**

Time: 3 Hours **Maximum Marks: 60**

Note: Attempt all questions as directed. Internal Choice is indicated.

Q1 Attempt any **Four** of the following questions: **(4x5=20)**

(a) Explain the difference between Financial Accounting and Management Accounting.
(b) What is trend analysis?
(c) What is Zero Base Budgeting?
(d) Explain Angle of Incidence and Margin of Safety.
(e) Write a short note on Control Ratio.
(f) Explain the ways by which P/V ratio can be improved.
(g) Difference between Standard Costing and Budgetary Control.
(h) Explain the methods of Disposition of Variance.

Q2 What do you mean by ratio analysis? Discuss its advantage and limitations. **(10)**

OR

Q3 From the following Balance Sheet of ABC Ltd. for the year ending 31.12.2021 and 31.12.2022, prepare cash flow statement. **(10)**

Liabilities	2021	2022	Assets	2021	2022
Equity Share Capital	2,15,000	2,75,000	Goodwill	-	20,000
Reserves	40,000	40,000	Plant & Machinery	1,12,950	1,16,200
Profit & Loss A/c	39,690	41,220	Land & Building	1,48,500	1,44,250
Provision for Tax	40,000	50,000	Current Assets	1,98,530	1,70,730
Bank loan	59,510	-	Cash	7,500	7,700
Current Liabilities	73,280	52,660			
	4.67,480	4,58,880		4.67,480	4,58,880

The following information is also provided:

a. A dividend of Rs. 26,000 was paid during the year 2022.
b. Profit before tax for the year was Rs. 62,530.
c. During the year 2022, the company paid tax of Rs. 25,000.
d. During the year, the company purchased another company and paid Rs. 60,000 in share capital. It acquired stock Rs. 21,640 and plant Rs. 18,360.
e. It purchases machinery costing Rs. 5,650 during the year.

Q4 The budgeted expenses for production of 10,000 units in a factory are furnished below: **(10)**

Particulars	Per Unit (Rs.)
Material	70
Labour	25
Variable Overhead	20
Fixed Overhead (Rs. 1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% Fixed)	13
Distribution Expenses (20% Fixed)	7
Administrative Expenses (Rs. 50,000)	5
Total cost of sale per unit (to make and sell)	155

Prepare a budget for production of 8000 units and 6000 units showing total and unit cost. Assume that administrative expenses are rigid for all levels of production.

P.T.O.

Particulars	Project X	Project Y
Initial Investment	₹5,00,000	₹5,00,000
Cash Inflow – Year 1	₹1,50,000	₹50,000
Cash Inflow – Year 2	₹1,50,000	₹1,00,000
Cash Inflow – Year 3	₹1,50,000	₹1,50,000
Cash Inflow – Year 4	₹1,50,000	₹2,00,000
Cash Inflow – Year 5	₹1,50,000	₹3,00,000

The cost of capital is 12%. Evaluate both projects using (i) Net Present Value, (ii) Profitability Index, and (iii) Payback Period methods. Which project should the company select and why?

OR

Q5. **(10)**

(a) Explain the concept of Risk-Adjusted Discount Rate method in capital budgeting. How does it incorporate risk in investment appraisal?

(b) What is the Certainty Equivalent Approach? A project has expected cash flows of ₹60,000 per year for 4 years. The certainty equivalent coefficients are 0.9, 0.85, 0.80, and 0.70 for years 1 to 4 respectively. If the risk-free rate is 8%, calculate the NPV of the project when the initial investment is ₹1,50,000.

Q6. **(10)**

(a) Calculate the cost of equity capital using the CAPM approach for a company whose beta is 1.3, the risk-free rate is 7%, and the expected market return is 15%.

(b) A company has the following capital structure:

Source	Amount (₹)
Equity Share Capital (₹10 each)	5,00,000
12% Preference Shares	2,00,000
10% Debentures	3,00,000

The market price of equity shares is ₹25. Expected dividend is ₹2.50 per share with a growth rate of 8%. Tax rate is 30%. Calculate the Weighted Average Cost of Capital.

OR

Q7. **(10)**

(a) Critically evaluate the Modigliani-Miller (MM) approach to capital structure theory under the assumptions of (i) no taxes and (ii) with corporate taxes. How does the introduction of taxes change the conclusions?

(b) A firm has sales of ₹20,00,000, variable cost of ₹12,00,000, fixed cost of ₹3,00,000, and interest on debt of ₹2,00,000. Calculate (i) Operating Leverage, (ii) Financial Leverage, and (iii) Combined Leverage. Interpret the results.

P.T.O.

P-2/3

Q8. (10)

(a) According to Walter's Model, the dividend policy of a firm depends on the relationship between the internal rate of return (r) and the cost of capital (Ke). A company has the following details: Ke = 12%, EPS = ₹10. Calculate the market price of the share when the payout ratio is (i) 25%, (ii) 50%, and (iii) 75% under each of the following scenarios: (a) r = 15% (Growth firm), (b) r = 12% (Normal firm), (c) r = 10% (Declining firm).

(b) Estimate the working capital requirement from the following data: Annual sales (at cost) ₹36,00,000; Raw material cost 40% of sales; Work-in-progress (50% complete); Finished goods storage 15 days; Credit allowed to debtors 30 days; Credit from suppliers 45 days; Operating cycle: Raw material storage 30 days, WIP 15 days.

OR

Q9. (10)

(a) Explain Gordon's dividend capitalization model. What are its assumptions? How does it differ from the Modigliani-Miller hypothesis on dividend irrelevance?

(b) Discuss the concept of Cash Management in a business firm. Explain the various motives for holding cash as propounded by Keynes. What are the main techniques of inventory management? Briefly explain the EOQ model.

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