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| **SESSION** | **June/july 2023** |
| **PROGRAM** | **BBA** |
| **SEMESTER** | **IV** |
| **course CODE & NAME** | **Dbb2203 – MANAGEMENT ACCOUNTING** |
| **CREDITS** | **4** |
| **nUMBER OF ASSIGNMENTS & Marks** | **02****30 Marks each** |

**Set – 1**

**1. Differentiate between Financial Accounting, Cost Accounting, and Management Accounting. Provide detailed examples of situations where each type of accounting is most useful. Discuss the scope and importance of Management accounting in aiding managerial decision-making.**

**Ans 1.**

**Differentiate between Financial Accounting, Cost Accounting, and Management Accounting**

BASIS FINANCIAL ACCOUNTING COST ACCOUNTING MANAGEMENT

ACCOUNTING

Age Financial accounting is several centuries old (4th century) The development of cost accounting dates back to industrial revolution (1850- 1900). Management accounting has developed only in the last 60 years (1950 onwards).

Events considered Financial accounting considers only the monetary events In cost accounting, mostly monetary events are considered. Management accounting is interested in monetary events and in nonmonetary events such as the performance of employees, quality of products, etc.

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**2. Explain the concept of Standard Costing. Outline the advantages and limitations of using Standard Costing in a manufacturing company. Discuss the preliminary steps involved in setting up standard costs for a product and analyze the differences between Standard Costing and Budgetary Control.**

**Ans 2.**

**Concept of Standard Costing**

Standard costing is an accounting technique where predetermined costs, called standard costs, are established for products or services. These standard costs represent the expected costs under normal operating conditions. During a given period, actual costs incurred are compared to the standard costs, and the differences are termed as variances. These variances are analyzed to ascertain the reasons for deviations and to take corrective measures. Standard costing serves as a benchmark or yardstick against which actual performance is measured,

**3. Imagine you are the manager of a small restaurant chain. The chain specializes in serving gourmet burgers. You have collected the following information for the upcoming year:**

**• Average selling price per burger: $12**

**• Variable cost per burger: $4**

**• Fixed costs for the year: $120,000**

**1. Calculate the contribution margin per burger and the contribution margin ratio.**

**2. Determine the breakeven point in both the number of burgers and total sales revenue.**

**3. If the restaurant chain plans to achieve a target profit of $40,000, calculate the number of burgers that need to be sold.**

**4. The restaurant chain is considering a promotional campaign that would increase fixed costs by $20,000 but would also increase the selling price to $14 per burger. Calculate the new breakeven point in terms of the number of burgers.**

**5. Discuss the implications of the breakeven point and contribution margin for the restaurant's decision-making, such as pricing strategies and cost control efforts.**

**Ans 3.**

**1. Calculate the contribution margin per burger and the contribution margin ratio.**

Contribution Margin per Burger: This is the amount from each burger's sales that contributes to covering fixed costs and generating profit.

Contribution Margin per Burger =

Selling Price - Variable Cost

= $12 - $4 = $8

**5. The implications of the breakeven point and contribution margin for the restaurant's decision-making, such as pricing strategies and cost control efforts.**

The breakeven point and contribution margin are invaluable metrics in the restaurant business, shaping both short-term and long-term strategies.

Breakeven Point: Knowing the breakeven point enables a restaurant to gauge the minimum sales required to avoid losses. This can be particularly useful in setting sales targets and understanding the risks and benefits of certain strategic decisions. For instance, if a promotional campaign increases the breakeven point considerably, management may need to

**Set – 2**

**1. What is a cash flow statement and why is it important for assessing a company's financial health?**

**Ans 1.**

**Cash Flow Statement: Importance in Assessing a Company's Financial Health**

A cash flow statement is one of the primary financial statements used to gauge the financial performance and health of a company. It provides a detailed summary of how cash is moving in and out of a business over a specific period, usually a quarter or a year. The statement captures the actual inflows and outflows of cash, categorizing them into operating, investing, and financing activities.

**2. XYZ Corporation is considering its dividend policy for the year 2023. The company's net income for the year is $1,200,000, and it has 500,000 shares of common stock outstanding. The company's management is debating whether to pay out a dividend of $1.50 per share or $0.75 per share. Calculate the dividend payout ratio for each dividend option and explain which option might be more favorable for different types of investors.**

**Ans 2.**

**Dividend Payout Ratio Calculation**

The dividend payout ratio is a financial metric that illustrates the proportion of earnings a company pays to its shareholders in the form of dividends. It can be computed using the formula:

Dividend Payout Ratio=Dividends Paid / Net Income

Given: Net Income = $1,200,000 Shares of common stock outstanding = 500,000

Option 1: Dividend of $1.50 per share Dividends Paid = 500,000 shares \* $1.50 = $750,000

Dividend Payout Ratio = $\frac{$750,000}{$1,200,000}$ = 0.625 or 62.5%

**3. Explain the concept of capital budgeting and discuss the various methods commonly used for evaluating investment projects. Provide examples to illustrate each method.**

**Ans 2.**

**Capital Budgeting**

Capital budgeting is a critical process that companies use to determine which sizable investments or projects are worth pursuing. These investments could range from buying new equipment, launching a new product, expanding to a new market, or even research and development activities. Given that these decisions involve significant financial outlays and have long-term implications for a company's growth and profitability, it's crucial to evaluate them carefully.