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| **SESSION** | **DEC 2023** |
| **PROGRAM** | **BACHELOR OF COMMERCE** |
| **SEMESTER** | **V** |
| **COURSE CODE & NAME** | **DCM 3101 - MANAGEMENT ACCOUNTING** |
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**Assignment Set – 1**

**1. Explain the interlinkage and points of differentiation of management accounting with cost accounting and financial accounting.**

**Ans 1.**

**Introduction**

Management accounting, cost accounting, and financial accounting are three essential branches of accounting, each serving distinct purposes within an organization. While they share some similarities, they also have significant differences in terms of focus, audience, and objectives.

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**2. The competing companies P Ltd. and Q Ltd. produce and sell the same type of product in the same market. For the year ended March 2021 their forecasted profit and loss accounts are as follows:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Rs.** | **P Ltd.** | **Rs.** | **Q Ltd.** |
| **Sales** |  | **300000** |  | **300000** |
| **Less: Variable Cost** | **200000** |  | **225000** |  |
| **Fixed Cost** | **50000** | **(250000)** | **25000** | **(250000)** |
| **Estimated Profit** |  | **50000** |  | **50000** |

**You are required to Calculate:**

**Profit Volume ratio, Break-even point and Margin of safety of each business**

**State volume at which each business will earn a profit of Rs.30000**

**Ans 2.**

To calculate the Profit Volume ratio, Break-even point, Margin of safety, and the volume at which each business will earn a profit of Rs.30,000, let's follow these steps:

**1. Profit Volume**

**3. Describe the concept of marginal costing. Enlist the advantages and limitations of marginal costing.**

**Ans 3.**

**Concept of Marginal Costing:**

Marginal costing, also known as variable costing, is a costing technique where only variable costs are considered while determining the cost of a product or service. Under marginal costing, fixed costs are treated as period costs and are not allocated to products or services. Instead, only variable costs such as direct materials, direct labor, and variable overheads are attributed to the cost of production. The key principle of marginal costing is to segregate costs into fixed

**Assignment Set – 2**

**1. Following are the Balance sheets of Sansar Indutsries Ltd. for the year ending December 31, 2020 and 2021**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2020** | **2021** |
| **Equity and Liabilities** |  |  |
| **Shareholders’ funds:** |  |  |
| **Equity share capital** | **400000** | **600000** |
| **Reserves and surplus** | **312000** | **354000** |
| **Non-Current Liabilities:** |  |  |
| **Debentures** | **50000** | **100000** |
| **Long-Term Loans on Mortgage** | **150000** | **255000** |
| **Current Liabilities:** |  |  |
| **Accounts Payable** | **255000** | **117000** |
| **Other Current Liabilities** | **7000** | **10000** |
| **Total** | **11,74,000** | **14,36,000** |
| **Assets** |  |  |
| **Non-Current Assets:** |  |  |
| **Fixed Assets:** |  |  |
| **Land & Buildings** | **270000** | **170000** |
| **Plant & Machinery** | **310000** | **786000** |
| **Furniture and Fixture** | **9000** | **18000** |
| **Other Fixed assets** | **20000** | **30000** |
| **Long-Term Loans given** | **46000** | **59000** |
| **Current Assets:** |  |  |
| **Cash in hand and at Bank** | **118000** | **10000** |
| **Receivables** | **209000** | **190000** |
| **Inventory** | **160000** | **130000** |
| **Prepaid expenses** | **3000** | **3000** |
| **Other Current assets** | **29000** | **40000** |
| **Total** | **11,74,000** | **14,36,000** |

**Analyse the financial position of the company with the help of Common-Size Balance sheet.**

**Ans 1.**

A common-size balance sheet is a financial statement that expresses each line item as a percentage of total assets. It helps in analyzing the financial position of a company by highlighting the relative proportions of different assets, liabilities, and equity components. Let's prepare the common-size balance sheets for Sansar Industries Ltd. for the years ending December 31, 2020, and 2021:

**Common-Size Balance Sheet**

**2. The financial statements of the company for the past two years are summarised below:**

|  |  |  |
| --- | --- | --- |
| **Particulars** | **2020** | **2021** |
| **Assets:** |  |  |
| **Cash** | **Nil** | **2000** |
| **Trade debtors** | **55000** | **40000** |
| **Stock-in-trade** | **55000** | **45000** |
| **Fixed Assets (Net)** | **137000** | **145000** |
|  | **247000** | **232000** |
| **Liabilities:** |  |  |
| **Trade creditors** | **32000** | **25000** |
| **Provision for taxation** | **11000** | **9000** |
| **Bank Overdraft** | **12000** | **Nil** |
| **Paid-Up capital** | **150000** | **150000** |
| **General reserve** | **30000** | **35000** |
| **P& L Appropriation A/c** | **12000** | **13000** |
|  | **247000** | **232000** |

**Net income Statement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **2020** |  | **2021** |
| **Sales** |  | **400000** |  | **375000** |
| **Less: COGS** | **245000** |  | **225000** |  |
| **Other expenses** | **130000** | **(375000)** | **132000** | **(357000)** |
| **Net Profit** |  | **25000** |  | **18000** |

**Opening stock on 1st January 2020 was Rs.60000**

**Calculate the following ratios for two years: -**

1. **Current Ratio**
2. **Quick ratio**
3. **Stock Turnover ratio**
4. **Debtors’ turnover ratio**
5. **Average collection period**
6. **Assume 360 days in a year**

**Ans 2.**

Let's calculate the requested ratios for the years 2020 and 2021:

1. **Current Ratio**

Current Ratio=Current Assets / Current Liabilities

1. **Quick Ratio**:

Quick Ratio= (Current Assets−Inventory) / Current Liabilities

1. **Stock**

**3. Describe the components of responsibility accounting. Also, explain the advantages and limitations of responsibility accounting.**

**Ans 3.**

Responsibility accounting is a management control system that delegates authority and assigns responsibility to various segments of an organization. It is primarily concerned with evaluating the performance of responsibility centers within an organization. These centers could be departments, divisions, or even individuals, each responsible for specific activities or functions. The components of responsibility accounting typically include:

**Budgets**: Budgets are the