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Bengaluru

Mid Term Examinations - October 2026

Date: 06/10/2026 **Time:** 09:30 AM - 11:00 AM

Course Code: CBS2038 **Course Name:** Management Accounting

Semester: First/Third Semester **Max. Marks:** 50 **Weightage:** 50%

CO - Levels	CO1	CO2
Marks	90	90

PART A: Answer Following Questions. 10 M

Q.N.	Questions	M	CO	BT
1	ABC Ltd. wants to determine the cost incurred in manufacturing its products. What is the main purpose of cost accounting?	2	CO1	BT2
2	MNO Ltd. collects and monitors the expenses of each department separately. What is the name given to a department where costs are collected and controlled?	2	CO1	BT2
3	Nova Products Ltd. uses marginal costing to analyse the effect of production and sales on profit. State any two differences between marginal costing and absorption costing**.**	2	CO2	BT2
4	Zenith Ltd. finds that its actual factory overheads are higher than the overheads charged to production. What is under-absorption of overheads?	2	CO2	BT2
5	ABC Ltd. maintains inventory to meet customer demand.What is Economic Order Quantity (EOQ)?	2	CO2	BT2

PART B : Answer Any 1 Following Questions. 10 M

Q.N.	Questions	M	CO	BT
6	ABC Manufacturing Ltd. is planning to expand its production capacity. The financial accounting department provides information mainly for preparing financial statements, while the management accounting team prepares information for managers to plan production, control costs and make decisions. The production manager has asked the management accountant to explain how management accounting can support the company's decision-making process. **Required:** a) Explain the purpose and role of cost accounting and management accounting in an organisation. (3 Marks) b) Distinguish between financial accounting and management accounting. (3 Marks) **c)** Explain how management accounting information can assist managers in **planning, decision-making and control**. **(2 Marks)** **d)** State **two limitations of management accounting information** in decision-making. (2 Marks**)**	10	CO1	BT3

7	Prime Retail Ltd. collects large amounts of information from its sales systems, customer feedback, suppliers and external market reports. The management receives thousands of individual sales transactions every month but finds it difficult to use the raw data effectively. The management accountant has been asked to explain how data can be converted into useful management information. **Required:** a) Distinguish between data and information, using examples relevant to Prime Retail Ltd. (2 Marks) b) Explain four attributes of good management information. (4 Marks) c) Explain the difference between internal and external sources of data and provide one example of each. (2 Marks) d) Explain two limitations of using published external information/data for management decision-making. (2 Marks)	10	CO1	BT3

PART C: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**
8	Zenith Engineering Ltd. manufactures industrial equipment. The management accountant has identified different costs relating to production, administration and sales. Management wants to classify these costs correctly and understand how costs behave when production volume changes. The company has costs such as direct materials, factory rent, production wages, electricity, supervisor salaries and sales expenses. **Required:** a) Explain the difference between production costs and non-production costs, with suitable examples. (2 Marks) b) Explain the difference between direct costs and indirect costs and provide two examples of each. (2 Marks) **c)** Explain **fixed costs, variable costs, stepped fixed costs and semi-variable costs**, giving one example of each. **(4 Marks)** **d)** Explain why understanding **cost behaviour** is important for planning and decision-making. **(2 Marks)**	10	CO1	BT3
9	Nova Services Ltd. operates through several departments, including Production, Sales, Administration and Customer Support. Management prepares monthly reports containing tables, charts and graphs to monitor costs, profitability and departmental performance. The finance manager wants the management accounting team to ensure that information is presented clearly and reaches the appropriate managers. **Required:** a) Explain the meaning of a cost object, cost unit and cost centre, giving one example of each. (3 Marks) b) Explain the different types of responsibility centres: cost centre, profit centre, investment centre and revenue centre. (4 Marks) c) Explain two advantages of presenting management information using tables, charts and graphs. (2 Marks) d) State one factor that should be considered when selecting the method of presenting management information. (1 Mark)	10	CO1	BT3

PART D: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**

10	Vertex Engineering Ltd. has two production departments P1 and P2 and two service departments Stores and Welfare. The following budgeted overheads are available: Overhead — Amount (₹) Indirect materials — 22,000 Rent — 20,000 Power — 15,000 Depreciation — 8,000 Indirect wages — 15,000 Departmental information: Particulars — P1 — P2 — Stores — Welfare — Total Area (sq. m.) — 1,500 — 2,000 — 300 — 200 — 4,000 Power units — 3,000 — 4,500 — 1,500 — 1,000 — 10,000 Plant value (₹) — 45,000 — 35,000 — 12,000 — 8,000 — 100,000 Employees — 25 — 35 — 8 — 12 — 80 Stores requisitions (₹) — 8,000 — 9,000 — 3,000 — 2,000 — 22,000 Indirect wages (₹) — 3,000 — 4,000 — 6,000 — 2,000 — 15,000 Required: Prepare the overhead analysis sheet and reapportion Stores and Welfare costs to P1 and P2 using the Direct Method.	10	CO2	BT2
11	Alpha Manufacturing Ltd. is a company engaged in the manufacture of industrial equipment. During a management meeting, the production manager explained that the company incurs several indirect costs such as factory rent, electricity, supervision, depreciation, office expenses and selling expenses. The management wants the cost accounting department to classify these costs properly to improve cost control and determine product cost accurately. **Required:** a) Explain the meaning of overheads and distinguish between direct costs and indirect costs. (2 Marks) b) Explain the classification of overheads according to elements. (3 Marks) c) Explain the classification of overheads according to function with suitable examples. (3 Marks) d) State any two advantages of proper classification of overheads. (2 Marks)	10	CO2	BT2

PART E: Answer Any 1 Following Questions. 10 M				
Q.N.	**Questions**	**M**	**CO**	**BT**
12	Alpha Products Ltd manufactures one product. The following information is available for March: Particulars — Amount Direct material per unit — $24 Direct labour per unit — $16 Variable production overhead per unit — $10 Fixed production overhead — $30,000 Normal production capacity — 1,000 units Selling price per unit — $100 Production — 1,000 units Sales — 1,000 units Required: Prepare the Marginal Costing Statement and Absorption Costing Statement of Profit or Loss for March.	10	CO2	BT2

13	Zenith Manufacturing Ltd. had the following material transactions during the first week of April. Prepare the Stores Ledger Account under the FIFO & LIFO method. Particulars | Date | Quantity (Units) | Unit Cost (₹) Opening Balance | 1 April | 20 | 3.00 Receipts | 2 April | 80 | 3.40 Issues | 3 April | 50 | – Receipts | 4 April | 60 | 3.80 Issues | 5 April | 70 | –	10	CO2	BT2