

**R.N.G.PATEL INSTITUTE OF TECHNOLOGY-RNGPIT**  
(An Autonomous Institute U/s UGC Act 1956)

**MBA SEMESTER-I, SEMESTER END EXAMINATION – WINTER 2025**

**SUBJECT CODE: 2MB1101**

**DATE: 05-01-2026**

**SUBJECT NAME: MANAGEMENT ACCOUNTING**

**TIME: 09:00 AM to 12:00 PM**

**TOTAL MARKS: 70**

**Instructions**

1. It is **compulsory** for students to write **Enrolment No. /Seat No.** on the question paper.
2. Write answers of **Section A** and **Section B** in **separate answer books**.
3. Attempt all questions from both **Section A** and **Section B**.
4. Each section carries **35 marks**, with a total of **70 marks** for the examination.
5. The figures to the right of each question indicate full marks, make suitable assumptions with justification.
6. BL - Bloom's Taxonomy Levels (R-Remember, U-Understanding, A –Application, N –Analyze, E – Evaluate, C -Create), CO - Course Outcomes.

**SECTION A**

	<b>Marks</b>	<b>BL</b>	<b>CO</b>
<b>Q.1 Multiple-Choice Questions</b>	<b>[05]</b>		
(a) What principle emphasizes that financial information should be free from bias and based on reliable evidence? (i) Relevance Principle (ii) Reliability Principle (iii) Consistency Principle (iv) Comparability Principle	<b>1</b>	<b>R</b>	<b>1</b>
(b) What is the correct journal entry for the purchase of machinery on credit? (i) Debit Machinery, Credit Cash (ii) Debit Cash, Credit Machinery (iii) Debit Machinery, Credit Accounts Payable (iv) Debit cash, Credit	<b>1</b>	<b>R</b>	<b>2</b>
(c) What is an example of an asset account? (i) Accounts Payable (ii) Revenue (iii) Inventory (iv) Capital	<b>1</b>	<b>U</b>	<b>2</b>
(d) What is the normal balance of an expense account? (i) Credit (ii) Either debit or credit (iii) Debit (iv) Neither debit nor credit	<b>1</b>	<b>U</b>	<b>2</b>
(e) Which account type is temporary and resets at the end of each accounting period? (i) Real Accounts (ii) Personal Accounts (iii) Nominal Accounts (iv) Equity Accounts	<b>1</b>	<b>R</b>	<b>1</b>

- Q.2 Attempt Any Two** **[10]**
- (a) Explain the concept management accounting detail. **5 R 1**
- (b) Explain any two GAAP Principles with example. **5 U 1**
- (c) Explain the purpose of accounting standard. **5 A 1**

- Q.3 Attempt Any Two** **[10]**
- (a) ABC Traders is a sole proprietorship firm. Below are the transactions for the month of June 2025. Record the journal entries in the books of ABC Traders: **5 R 2**
- June 3: The owner invested Rs 85,000 in cash into the business.
- June 6: Purchased furniture worth Rs 23,000 on credit from Mr. S.
- June 9: Sold goods for Rs 32,000 to Mr. B on credit.
- June 12: Paid Rs 16,000 for rent.
- June 18: Received Rs 28,000 in cash from Mr. B for the goods sold on credit for full settlement.

- (b) XYZ Traders is a sole proprietorship firm. Below are the transactions for the month of April 2025. Record the journal entries in the books of XYZ Traders: **5 U 2**
- April 1: Purchased goods worth Rs 10,000 on credit from Mr. Y.
- April 5: Sold goods worth Rs 15,000 to Mr. Z on credit.
- April 7: Paid Rs 5,000 for advertising expenses.
- April 10: Received Rs 6,000 from Mr. Z in part payment for the goods sold on credit.
- April 15: The owner withdrew Rs 3,000 for personal use.

- (c) Let's assume the following data for PQR Ltd. for the year ended June 30, 2025. **5 A 2**  
Prepare the P&L Account:

Sales Revenue: Rs 90,00,000	Selling Expenses: Rs 9,00,000
Opening Inventory: Rs 12,50,000	Administrative Expenses: Rs 4,50,000
Purchases: Rs 38,00,000	Depreciation: Rs 2,40,000
Closing Inventory: Rs 9,00,000	Interest Income: Rs 3,50,000
Interest Expense: Rs 4,00,000	Income Tax Rate: 28%

- Q.4 Attempt Any Two** **[10]**
- (a) Differentiate between Management accounting and financial accounting. **5 R 1**
- (b) Explain any three uses of management accounting. **5 U 1**
- (c) Explain rules of debit and credit for personal, real and nominal account. **5 A 2**

## SECTION B

Marks BL CO

### Q.5 Multiple-Choice Questions

[05]

- (a) Product costs are associated with which type of activities? 1 R 3
- (i) Non-production activities      (ii) Selling and marketing  
(iii) Administrative operations      (iv) Manufacturing and production
- (b) In ABC, what does a "cost driver" refer to? 1 U 3
- (i) The unit of production      (ii) The activity that causes a cost to be incurred  
(iii) The total cost of a product      (iv) The method used to allocate fixed costs
- (c) What does ABC costing help identify that traditional costing might miss? 1 U 3
- (i) The break-even point for each product      (ii) Non-value-added activities and inefficiencies  
(iii) The total cost of production      (iv) Fixed cost allocations
- (d) What does the Cash Flow Statement help assess? 1 U 4
- (i) Profitability      (ii) Market share  
(iii) Company's ability to meet obligations      (iv) Tax liabilities
- (e) How is the Quick Ratio calculated? 1 R 4
- (i) Current Assets / Current Liabilities      (ii) (Current Assets - Inventory) / Current Liabilities  
(iii) Total Debt / Total Equity      (iv) EBIT / Interest Expenses

### Q.6 Attempt Any Two

[10]

- (a) In a manufacturing process, the total costs of materials, labor, and overhead for a given period are ₹3,00,000, ₹1,50,000, and ₹1,00,000, respectively. The company produces 20,000 units during this period. Additionally, 10% of the total material cost is for wastage, and 5% of the total labor cost is for rework. Calculate the adjusted cost per unit, considering wastage and rework costs. 5 N 3
- (b) A company uses Activity-Based Costing (ABC) to allocate costs. The total indirect costs are ₹15,00,000. There are 4 activities: 5 N 3
- Activity 1: 35% of total costs
  - Activity 2: 40% of total costs
  - Activity 3: 15% of total costs

- Activity 4: 10% of total costs  
Calculate the cost allocated to each activity.
- (c) Explain the term Direct Cost and Indirect Cost with suitable examples. 5 R 3

**Q.7 Attempt Any Two** [10]

- (a) Define Cash Flow Statement. Explain the Sources of Cash inflows. 5 R 4
- (b) Income and Expenses Related to Investing Activities: 5 N 4
- Cash Outflows (Purchases):
    - Purchase of New Equipment for production: ₹600,000
    - Purchase of Investments in Bonds: ₹400,000
    - Purchase of Land for office expansion: ₹300,000
    - Purchase of Software for business operations: ₹100,000
  - Cash Inflows (Sales):
    - Proceeds from Sale of Equipment: ₹250,000
    - Proceeds from Sale of Bonds: ₹500,000
    - Proceeds from Sale of Land: ₹400,000
    - Proceeds from Sale of Software (old system): ₹50,000
    - Dividend Income from Investments: ₹30,000
    - Rent Income from Investment Property: ₹100,000
- Prepare the Investing Activities section of the Statement of Cash Flows.

- (c) From the Given Information: 5 N 4
- Current Assets: ₹800,000
  - Current Liabilities: ₹600,000
  - Inventory: ₹200,000
  - Cash and Cash Equivalents: ₹100,000

Required:

1. Calculate the Current Ratio.
2. Calculate the Quick Ratio.
3. Calculate the Cash Ratio.

**Q.8 Attempt Any Two** [10]

- (a) What do you mean by Cost Accounting? Discuss the concepts of Fixed Cost and Variable Cost. 5 R 3
- (b) What is Activity-Based Costing (ABC)? Write short note about it. 5 U 3
- (c) From the Given Information: 5 N 4
- Current Assets: ₹800,000
  - Current Liabilities: ₹600,000
  - Inventory: ₹200,000
  - Cash and Cash Equivalents: ₹100,000

Required:

1. Calculate the Current Ratio.
2. Calculate the Quick Ratio.
3. Calculate the Cash Ratio.

\*\*\*\*\*