

2015

( 4th Semester )

**COMMERCE**

Paper No. : BC-403

**( Accounting for Managerial Decision )**

( PART : A—OBJECTIVE )

( Marks : 25 )

*The figures in the margin indicate full marks for the questions*

1. Choose the correct answer and place its code in the brackets provided : 1×5=5

(a) Financial accounting deals with

(i) determination of profits

(ii) determination of costs

(iii) determination of price

(iv) None of the above

( )

(b) Management accounting relates to

- (i) recording of costing data
- (ii) recording of accounting data
- (iii) presenting of accounting data
- (iv) None of the above ( )

(c) Tool of management accounting is

- (i) standard costing
- (ii) marginal costing
- (iii) decision accounting
- (iv) All of the above ( )

(d) Marginal costing is known as

- (i) fixed cost
- (ii) variable cost
- (iii) semi-variable cost
- (iv) None of the above ( )

(e) The reports meant for different levels of management are called

(i) external reports

(ii) internal reports

(iii) special reports

(iv) None of the above

2. Fill in the blanks:

(a) The use of management accounting is

.....

(b) Only ..... data are recorded in financial accounting.

(c) The capital structure of a company is made of

..... and .....

(d) Capital gearing refers to the relationship

between equity capital and .....

(e) ..... supplies information to top level management.

( 4 )

3. State whether the following statements are *True (T)* or *False (F)* by putting a Tick (✓) mark : 1×5=5

(a) Management accounting deals with only quantitative data.

( T / F )

(b) Management accounting is used to communicate with shareholders and outside agencies.

( T / F )

(c) Margin of safety can be improved by reducing the fixed cost.

( T / F )

(d) At break-even point the company earns only a marginal profit.

( T / F )

(e) Increased use of debt increases the financial risk of equity shareholders.

( T / F )

( 5 )

4. Write on the following in 4 to 5 sentences each :  
2×5=10

(a) Margin of Safety

(b) Debt Financing

Write on the following in 100 words

(a) Margin of Safety

The margin of safety is the difference between the actual sales and the break-even sales. It represents the amount of sales that can be lost before the company starts to incur a loss. It is a measure of the company's ability to withstand a decline in sales without incurring a loss. The margin of safety can be expressed in terms of sales revenue or units sold. It is a key indicator of a company's financial health and its ability to manage risk. A higher margin of safety indicates a lower risk of loss, while a lower margin of safety indicates a higher risk of loss. The margin of safety is an important tool for management to use in making decisions about financing and operations. It helps management to understand the company's current position and to identify areas where it can improve its performance. The margin of safety is also a useful tool for investors and analysts to evaluate a company's financial health and its ability to withstand a decline in sales.

( 7 )

(c) Break-even Analysis

( 8 )

(d) Levels of Management



(e) Causes of Overcapitalization