Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/MBA (NEW)/SEM-3 (FT)/MB-301/2009-10

2009

MANAGEMENT ACCOUNTING

Time Allotted : 3 Hours Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A
(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following : 10 × 1 = 10

   i) Which of the following costs is considered for decision-making program ?

      a) Out-of-pocket cost b) Sunk cost

      c) Committed cost d) Discretionary cost.

   ii) Costs which are ascertained after they have been incurred are known as

      a) imputed costs b) predetermined costs

      c) sunk costs d) historical costs.

iii) If the number of standard allowed hours equals the planned activity level of hours, then the fixed overhead volume variance is

a) zero

b) favourable

c) unfavourable

d) equal to fixed overhead expenditure.

iv) The labour yield variance is

a) (standard production on standard hours – actual production) × (average standard labour rate per unit)

b) (standard production on actual hours – actual production) × (average standard labour rate per unit)

c) (actual production on standard hours – actual production) × (standard labour rate per unit)

d) (actual production on actual hours – standard production) × (standard labour rate per unit).

v) When a company produces more than one product, the sales volume variance can be divided into

a) sales mix variance and sales price variance

b) sales efficiency variance and sales price variance

c) sales mix variance and production volume variance

d) sales quantity variance and sales mix variance.

vi) Total cost function $C = 500 + 3x$. What will be the variable cost per unit ?

a) Rs. 500 b) Rs. 3

c) $3x$ d) none of these.

vii) At break-even point

a) Total Sales = Total Fixed Cost

b) Total Sales = Total Contribution

c) Total Sales = Total Cost

d) Total Sales = Variable Cost.

viii) A budget that is continually updated by periodically adding a new incremental time period such as a quarter and dropping the period just completed is a

a) long range budget

b) short range budget

c) capital budget

d) rolling budget.

ix) If standard cost is greater than actual cost then the variance is

a) positive b) negative

c) neutral d) all of these.

x) To obtain the break-even point in rupee sales value, total fixed cost is divided by

a) variable cost per unit

b) contribution margin per unit

c) fixed cost per unit

d) profit/volume ratio.

xi) In responsibility accounting system, managers are accountable for

a) incremental cost

b) differential cost

c) product costs but not for period costs

d) costs over which they have significant influence.

xii) To measure a firm's solvency as completely as possible, we need to consider

a) the firm's relative proportion of debt and equity in its capital structure

b) the firm's ability to use net working capital to pay off its current liabilities

c) the firm's leverage and its ability to make interest payments on its long-term debt

d) the firm's leverage and its ability to turn its assets over into sales.

GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. Bring out the difference between absorption costing and marginal costing and explain how the net income reported under absorption costing may be different from the net income reported under marginal costing.

3. Briefly discuss the differences between joint cost and common cost.

4. In process costing, a separate account is kept for each process. It is suitable for industries producing homogeneous products and where production is in continuous flow. In this respect, briefly explain the limitations of process costing.

5. Explain the utility of calculating opportunity costs in taking long-term decision making process in a company.

6. Briefly narrate the applicability of manpower budget in a telecom company.

GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. 3 × 15 = 45

7. A company manufactures three products *X*, *Y* and *Z*. The are no common processes and the sale of one product does not affect prices or volume of sales of any other.

The company's budgeted profit/loss for 2009 are as follows :

	Total	***X***	***Y***	***Z***
	Rs.	**Rs.**	**Rs.**	**Rs.**
Sales	3,00,000	45,000	2,25,000	30,000
Production cost :				
Variable	1,80,000	24,000	1,44,000	12,000
Fixed	60,000	3,000	48,000	9,000
Factory cost	2,40,000	27,000	1,92,000	21,000
Selling and administrative cost :				
Variable	24,000	8,100	8,100	7,800
Fixed	6,000	2,100	1,800	2,100
Total cost	2,70,000	37,200	2,01,900	30,900
Profit (Loss)	30,000	7,800	23,100	900

On the basis of the above, the board had almost decided to eliminate product *Z*, on which a loss was budgeted. Meanwhile, they have sought your opinion. As the company's cost accountant what would you advise ? Give reasons for your answer.

8. a) Prepare a cash budget for the three months ended 30th June, 2009 from the information given below :

Months	Sales Rs.	Material Rs.	Wages Rs.	Overheads Rs.
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

b) Credit terms are Sales/Debtors 10%, sales are on cash, 50% of the credit sales are collected next month and the balance in the following months :

Creditors :

Materials	2 months
Wages	1/4 month
Overheads	1/2 month

c) Cash and bank balance on 1st April, 2009 is expected to be Rs. 6,000.

d) Other relevant information are

i) Plant and machinery will be installed in February, 2009 at a cost of Rs. 96.000. The monthly instalment of Rs. 2,000 is payable from April onwards.

ii) Dividend @ 5% on preference share capital of Rs. 2,00,000 will be paid on 1st June.

iii) Rs. 9,000 will be received for sale of vehicles in June.

iv) Dividends from investment Rs. 1,000 are expected to be received in June.

v) Income tax (advance) to be paid in June, is Rs. 2,000.

9. From the following Balance Sheet supplied by Subhom Ltd. for the years ended 31. 12. 2007 and 31. 12. 2008 prepare a cash flow statement showing the changes of working capital.

	2007 (Rs.)	2008 (Rs.)		2007 (Rs.)	2008 (Rs.)
Equity share capital	4,00,000	5,00,000	Fixed assets (Net)	5,00,000	6,00,000
8% Redeemable preference shares	1,00,000	—	Investment	1,30,000	70,000
Capital reserve	—	20,000	Current Assets	3,00,000	4,20,000
Share premium	50,000	60,000	Preliminary Expenses	20,000	10,000
General reserve	1,00,000	1,50,000			
Profit & Loss Account	1,50,000	1,80,000			
Provision for Dep.	50,000	60,000			
Creditors	80,000	90,000			
Proposed Dividend	20,000	40,000			
	9,50,000	11,00,000		9,50,000	11,00,000

Additional Information :

i) Investment was sold at a profit of Rs. 20,000, the profit being transferred to Capital Reserve.

ii) On 31. 12. 2007, accumulated depreciation on Fixed Assets amounted to Rs. 50,000 and 31. 12. 2008 Rs. 60,000.

iii) Fixed Assets costing Rs. 1,00,000 (written down value Rs. 60,000) were sold for Rs. 20,000, the loss being transferred to Profit & Loss Account.

iv) Equity shares were issued at a premium of 10%.

v) The company redeemed the 8% preference shares at a premium of 15% and the premium was debited to General Reserve.

10. Product '*Z*' is obtained after it passes through three distinct processes. The following information is obtained from the accounts for the month ending March 31, 2009 :

Items	Total (Rs.)	Process - I	Process - II	Process - III
Direct materials	7,542	2,600	1,980	2,962
Direct wages	9,000	2,000	3,000	4,000
Production overhead	9,000	—	—	—

1,000 units @ Rs. 3 each were introduced to Process - I. There was not stock, material or work-in-progress at the beginning or end of the period. Production overheads are recovered on the basis of direct wages.

The following additional data is obtained :

Process	Output during the Month (Units)	% of Normal loss to input	Value of scrap per unit (Rs.)
Process - I	950	5%	2
Process - II	840	10%	4
Process - III	750	15%	5

You are required to prepare Process Accounts, Abnormal Gain/Loss Account and Normal Loss Account.

11. Write short notes on any *three* of the following : 3 × 5

i) Activity based costing

ii) Responsibility accounting

iii) Flexible budgeting

iv) TCM and Business competitive edge

v) Receivables management

vi) Cash pool.