Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/MBA/SEM-4(PT)/MB-301/2012

2012

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 : $10 \times 1 = 10$

   i) Cost drivers are

      a) accounting techniques used to control costs

      b) activities that cause costs to increase as the activity increases

      c) accounting measurements used to evaluate whether or not performance is proceeding according to plan

      d) mechanical basis, such as machine hours, computer time, size of equipment etc. used to assign costs to activities.

ii) Angle of incidence is the angle between
   a) total cost line and total revenue line
   b) variable cost line and total revenue line
   c) fixed cost line and total cost line
   d) fixed cost line and variable cost line.

iii) Margin of safety can be improved by
   a) decrease of sale price per unit
   b) decrease of fixed cost
   c) decrease of sales volume
   d) decrease of variable cost per unit.

iv) Which of the following is not an assumption in break-even analysis ?
   a) Production and sales are equal
   b) Fixed costs remain constant at various levels of activity
   c) Variable costs are not strictly variable with volume of output
   d) Sales mix remain constant.

v) Whenever there is an abnormal loss in a process driven manufacturing firm
   a) scrap value, if any, should be credited to process account
   b) scrap value, if any, should be created to abnormal loss account
   c) scrap value, if any, should be credited to costing profit and loss account
   d) scrap value, if any, should be credited to profit and loss account.

vi) While computing variances from standard costs, the difference between the actual and the standard prices multiplied by the actual quantity yields as
   a) Yield variance b) Volume variance
   c) Mix variance d) Price variance.

vii) Which of the following categories of costs is considered as a component of fixed factory overhead ?

a) Rent
b) Property taxes
c) Power
d) Depreciation.

viii) Which of the following costs is a semi variable costs ?

a) Telephone expenses
b) Rent of stores department
c) Insurance premium
d) Direct labour costs.

ix) A job order cost accumulation system is most suitable where

a) mass production techniques are used
b) continuous processing is performed
c) homogeneous products are produced
d) customised products are produced.

x) Capital budgeting is a technique of

a) short term budgeting
b) long term budgeting
c) both short term and long term budgetings
d) none of these.

xi) Sales volume variance is the difference between

a) actual quantity sold at actual price and standard quantity at actual price
b) actual quantity sold at actual price and standard quantity at standard price
c) actual quantity sold at standard price and standard quantity at standard price
d) actual quantity sold at standard price and standard quantity at actual price.

GROUP – B

(Short Answer Type Questions)

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

2. Describe the accounting treatment of normal loss, abnormal loss and abnormal gains in process costing.

3. A company produces a standard product. The selling price is Rs. 10 per unit. Fixed costs are Rs. 24,000 per annum and variable costs are expected to attain be Rs. 6 per unit.

    a) How many units the company must make and sell before earning a profit ?

    b) How many units the company must make and sell to register a profit of Rs. 10,000 ?

    The company has fixed costs of Rs. 70,000 and wishes to earn a profit of Rs. 50,000. How many units must it sell in order to attain this if selling price is Rs. 12 per unit and unit variable costs are Rs. 4 ?

4. A company incurs the following expenses to produce 1000 units of article :

	Rs.
Direct materials	30,000
Direct labour	15,000
Power (20% fixed)	10,000
Repairs and maintenance (15% fixed)	8,000
Depreciation (40% variable)	6,000
Administrative expenses (100% fixed)	12,000

Prepare a flexible budget showing individual expenses of production level at 15000 units.

5. From the information given below, calculate the labour cost variance for the two departments :

	Dept. A	Dept. B
Actual gross wages	Rs. 2,000	Rs. 1,800
Standard hours produced	Rs. 10,000	Rs. 8,000
Standard rate per hour	30 paise	25 paise
Actual hours worked	Rs. 8,000	Rs. 6,000

6. What are the characteristics of process costing ?

GROUP – C

(Long Answer Type Questions)

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

7. *S* & *P* Manufacturing Co. manufactures and sells a product with a normal capacity of 60000 direct labour hours. The unit cost of the product for the year 2009-2010 is as follows :

Manufacturing costs per unit :

Particulars	Rs.
Direct materials (2 kgs at the rate of Rs. 10 per kg)	20
Direct labour (3 hours at the rate of Rs. 20 per hour)	60
Variable overhead (3 hours at the rate of Rs. 4 per hour)	12
Fixed overhead (3 hours at the rate of Rs. 6 per hour)	18
Total	110

Selling and administrative costs :

Variable — Rs. 5 per unit

Fixed — Rs. 2,10,000

During the year, the company had the following activities :

Units produced — 20000 units

Unit sold — 19000 units

Direct labour hours worked — 60000 hours

Unit selling price — Rs. 150

Actual fixed manufacturing overhead was Rs.10,000 less than budgeted fixed manufacturing overhead.

Budgeted variable manufacturing overhead was Rs. 6,000 less than actual variable manufacturing overhead. The overhead variance, if any, are adjusted to cost of goods sold.

You are required to prepare income statement for 2009-2010 under

a) Absorption costing method

b) Marginal costing method. 8 + 7

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

a) Contribution analysis

b) Planning and performance budgeting

c) Batch costing

d) Relevant costing

e) Differential pricing.

9. A product passes through three processes — *A*, *B* and *C*. The details of expenses incurred on the three processes during the year 2009 were as under :

	Process *A* **Rs.**	**Process *B*** **Rs.**	**Process *C*** **Rs.**
Units introduced (cost per unit)	10,000		
Sundry materials	10,000	15,000	5,000
Labour	30,000	80,000	65,000
Direct expenses	6,000	18,150	27,200
Selling price per unit of output	120	165	250

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocable to processes.

Actual outputs of the three processes were : *A* — 9300 units, *B* — 5400 units and *C* — 2100 units. Two thirds of the output of process A and half of the output of process B was passed on to the next process and the balance was sold.

The normal loss of the three processes, calculated on the input of every process was :

A — 5%, B — 15%, C — 20%. The loss of process A was sold at Rs. 2 per unit, that of B at Rs. 5 per unit and of process C at Rs. 10 per unit.

Prepare three processes accounts and the profit and loss accounts.

10. a) What is meant by full-cost pricing ? State the limitations of full-cost-pricing techniques.
    b) What is meant by decision package analysis while applying zero based budgeting ?
    c) Elaborate the difference between joint products and by-products.

11. From the following information prepare a Cash Flow Statement (As per AS-3) for the year ended 31st March, 2010 :

Balance Sheet of *ABC* Ltd.

Liabilities	**31.3.2009 (Rs. in lakh)**	**31.03.2010 (Rs. in lakh)**	**Assets**	**31.03.2009 (Rs. in lakh)**	**31.03.2010 (Rs. in lakh)**
Equity share of Rs. 100 each	80	100	Patents plant	20	28
Redeemable Pref. Share of Rs. 100 each Rs.50 paid	20	Nil	(w.d.v)	60	72
Share premium	01	Nil	Investment	40	32
General reserve	40	28	Stock	24	12
Capital Redemption reserve	Nil	20	Debtors	60	40
Profit & Loss A/c	31	40	Cash	08	20
Current Liabilities	40	16			
Total	**212**	**204**	**Total**	**212**	**204**

Additional Information :

i) During the year, the company paid Rs. 8,00,000 as equity dividend and Rs. 2,25,000 as preference dividend.

ii) The company redeemed the preference share at a premium of 5% after making a call of Rs. 50 per share to make the share fully paid up.

iii) During the year, one plant, whose book value was Rs. 4,00,000 was sold at a loss of Rs. 1,00,000 and the company purchased another plant for Rs. 24,00,000.

iv) During the year, the company sold some of its investments for Rs. 16,00,000 at a profit of Rs. 4,00,000.

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