Name : ....

Roll No. : ....

Invigilator's Signature : ....

CS/MBA (NEW)/SEM-4 (PT)/MB-301/2010

2010

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) Classifying a cost as either direct or indirect depends upon

a) the behavior of cost in response to volume changes

b) the relevance of the cost for decision-making

c) the controllability of costs

d) none of these.

ii) Which of the following industries does not use process costing ?

a) Oil refineries	b) Aircraft manufacturing
c) Sugar	d) Chemical.

iii) Why CVP relationships do not always hold true ?

a) Variable costs could decrease with increase in volume

b) Selling prices could increase with volume

c) Selling price could decrease with increase in volume

d) Both (a) and (c) above.

iv) Direct costs can sometimes be treated as overhead costs when

a) the cost in comparison to the actual job is too small

b) it is too costly to identify and account for the same

c) there are no overhead costs

d) both (a) and (b).

v) Interest coverage ratio of 6 indicates

a) sales are 6 times of interest

b) profit after tax is 6 times of interest

c) profit before tax is 6 times of interest

d) earning before interest and taxes is 6 times of interest.

vi) Du Pont analysis

a) examines the interrelationships between items of financial statements of two different companies

b) examines the interrelationships of items in financial statements of the same company

c) studies the trends over the years by dividing the ratio into its components

d) examines the effect of various factors in an industry on the firm.

vii) Differential analysis helps in evaluating

a) decision alternatives b) variables

c) direct materials d) all of these.

viii) What cost are treated as product cost under marginal costing ?

a) Only direct costs

b) Only variable production costs

c) Only variable costs

d) All variable and fixed production costs.

ix) When a change is made in the level of production the resulting change in total cost is known as

a) Sunk cost b) Opportunity cost

c) Relevant cost d) Differential cost.

x) Contribution margin is

a) Sales-Fixed cost b) Sales-Variable cost

c) Sales-Total cost d) None of these.

xi) Fixed cost per unit increases when

a) Variable cost per unit increases

b) Variable cost per unit decreases

c) Production value increases

d) Production volume decreases.

GROUP – B

(Short Answer Type Questions)

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

2. Define Management Accounting. Give any two points of distinction between financial accounting and management accounting.

3. In a manufacturing company 4,00,000 units of a product are produced per year. The cost of setting up of machine and tools each time for production amounts to Rs. 2000. The cost of manufacture, storage, depreciation etc amount to Rs. 160 per unit and the rate of interest is 10% p.a.

   Find out the economic batch quantity, total number of batches required annually and the interval between two consecutive batches.

4. Compare and contrast between Budgetary control and Standard costing.

5. State the relationship between Variable costing and Absorption costing.

6. J Ltd. is engaged in producing a 'standard mix' using 60 kg of chemical *X* and 40 kg of chemical *Y*. The standard lose of production is 30%. The standard price of *X* is Rs. 5 per kg and Rs. 10 per kg. The actual mix and yield were as follows :

   X–80 kg @ Rs. 4·50 per kg and Rs. 8 per kg. Actual yield is 115 kg. Calculate direct material cost, price, usage, mix and yield variances.

GROUP – C

(Long Answer Type Questions)

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

7. From the following data, prepare a Flexible Budget of S. Ltd producing a single product for 80% and 100% capacity level.

The breakup of existing unit cost at 70% working level is :

Raw materials	Rs. 8
Wages	Rs. 4
Variable overhead	Rs. 10

Besides the above, the semi-variable costs for producing 14,000 units are :

Indirect material Rs. 47,000; Indirect labour Rs. 31,200; Repairs Rs. 24,000.

The variable cost per unit included in semi-variable costs are:

Indirect material Re. 1·00; Indirect labour Rs. 1·50; Repairs Rs. 1·25.

The fixed costs are :

Factory overhead Rs. 26, 000

Administration overhead Rs. 46,000

Selling & distribution overhead Rs. 42,000 (Re. 1 per unit variable)

Present output 14,000 units

Selling price per unit Rs. 38.

8. a) Write down the concept of Horizontal Analysis & Vertical Analysis with an illustration.

   b) From the following information supplied by Fruity Co. Ltd., Prepare a Proprietors Fund Statement as on 31st December 2008 :

Current Ratio 1·6	Fixed Assets to Net Worth 0·75
Liquid Ratio 1·15	Reserve to Net Worth 1/6
Gross profit margin 25%	Fixed Assets Turnover Ratio 1·5
Stock turnover ratio 6 times	Debtors velocity 3 months
Capital Gearing Ratio 3·8	Sales for the year Rs. 3,60,000

[(Equity share capital + Reserves)/Pref. Share Capital]

5 + 10

9. A gang of worker normally consists of 30 men, 15 women and 10 boys. They are paid at standard rates as under

Men	Re. 0·90
Women	Re. 0·70
Boys	Re. 0·50

In a normal working week of 40 hours, the gang is expected to produce, 2,000 units of output. During the week ended 31st March 2008, the gang consisted of 40 men, 10 women and 5 boys. The actual wages paid were at the rate of Re. 0·80, Re. 0·75 and Re. 0·40 respectively. 4 hours were lost due to abnormal idle time and 1,600 units were produced.

Calculate :

i) Labour cost variance

ii) Labour rate variance

iii) Labour efficiency variance

iv) Labour mix variance

v) Labour idle time variance

vi) Labour yield variance.

10. a) Define Activity Based Costing (ABC). State some benefits of ABC.

b) A company producing two products, furnishes the following data for a year :

Product	Annual output (units)	Total machine hours	Total number of purchase orders	Total number of set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under :

Volume related activity costs	Rs. 5,50,000
Set-up related costs	Rs. 8,20,000
Purchase related costs	Rs. 6,18,000

You are required to calculate the cost per unit of each product A and B based on

i) Traditional method of charging overheads

ii) Activity based costing method. 5 + 10

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

i) Total Cost Management

ii) Responsibility Accounting

iii) Absorption Costing

iv) Joint product and By product

v) Escalation Clause.

12. a) Explain the importance of Du Pont chart.

b) Differentiate between joint cost and common cost.

c) Elaborate the importance of marginal costing with examples. 4 + 4 + 7