QP Code: 22/PT/9/IX(NEW)

POST-GRADUATE COURSE

Term End Examination — June, 2022/December, 2022

COMMERCE (New Syllabus)

Paper-IX : ACCOUNTING FOR MANAGERIAL DECISIONS

(From January 2022 Enrolment Session)

Time : 2 hours] [Full Marks : 50

Weightage of Marks : 80%

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Use of scientific calculator is strictly prohibited.

Module - I

Answer any *two* of the following questions : $12\frac{1}{2} \times 2 = 25$

1. (a) Define Management Accounting. State the objectives of it.

   (b) Discuss the features of Strategic Cost Management. What are the advantages and disadvantages of Strategic Cost Management ?

   $(2 + 2) + (2 + 6\frac{1}{2})$

2. (a) Define Target Costing. State the advantages of it.

   (b) What is Life Cycle Costing ?

   (c) The following are the information in respect of two products manufactured by Dayal Concern :

	Products	
	A	*B*
Number of productions (units)	300	400
Labour hours used per unit	4	5
Number of times of material movements	6	4
Total material handling cost is Rs. 32,000		

   Determine the cost per unit of the two products *A* & *B* under the traditional method and ABC method. $(2 + 2) + 2 + 6\frac{1}{2}$

3. (a) What is MVA ? State the advantages and disadvantages of MVA.

(b) Consider the following information :

Capital Employed —	***Rs.***	***Rs.***
(i) Equity Fund	12,00,000	
(ii) Debt Fund (10% Debentures)	8,00,000	20,00,000
Net profits after tax and interest		2,80,000

Weighted average cost of capital is 8·5% and tax rate is 30%.

Compute ROI and EVA from the above. (2 + 4) + 6½

4. (a) Define Transfer pricing. Discuss the methods of calculating transfer pricing.

(b) What is Cost Based Transfer Pricing ? Discuss the advantages and disadvantages of Resale Price Method. (2 + 3) + (3 + 4½)

Module - II

Answer any *two* of the following questions : 12½ × 2 = 25

5. (a) Define opportunity cost. State the importance of it.

(b) Star Ltd. currently produces 30,000 units (60% level) of a product for which variable cost is Rs. 10 per unit, selling price per unit is Rs. 25 and total fixed cost is Rs. 1,00,000. The selling prices at different production levels are as follows :

80% level — Rs. 24 per unit

90% level — Rs. 23 per unit

100% level — Rs. 21 per unit

Determine the most favourable level of production on the basis of differential cost and incremental revenue analysis. (2 + 3) + 7½

6. (a) What is CVP analysis ? State the utility of CVP analysis in managerial decision making process.

(b) Consider the following information :

Sales (Rs.)	Profit (Loss) Rs.
4,00,000	(30,000)
6,00,000	(20,000)

Determine : P/V ratio, BEP (sales), Margin of Safety, Required sales to earn a net profit after tax of Rs. 1,20,000.

Assume tax rate at 40%. (2 + 3) + 7½

7. (a) What is Performance Budgeting ? State the importance of Performance Budgeting.

(b) Dolphin Traders presently operates at 50% level and produces 2,000 units of a product — the details of which are as follows :

	Per Unit (Rs.)
Material	50
Labour	20
Factory overhead (40% fixed)	10
Administration and selling overhead (60% variable)	5
Total cost	85
Profit	15
Selling Price	100

For production at 60% level, material cost is estimated to increase by 2% and selling price to fall by 3%.

For production at 80% level, material cost is to increase by 5% while selling price to fall by 4%.

For production at 100% level, material cost is to increase by Rs. 10 per unit and selling price to fall by Rs. 6 per unit.

Prepare a flexible budget and identify the most favourable activity level in terms of total profit. (2 + 2) + 8½

8. (a) What is standard costing ? Highlight the significance of standard costing technique in cost control.

(b) Define value chain analysis. State the classification of value chain analysis. (2 + 3) + (2 + 5½)