POST-GRADUATE COURSE

Term End Examination :

December, 2014 / June, 2015

COMMERCE

Paper-XVII : Management Accounting

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.

MODULE – I

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

1. a) What do you mean by management accounting ?

   b) *X* Ltd. produces two products using same materials and labour force involving the costs as given below :

	Product *A* (Rs. per unit)	Product *B* (Rs. per unit)
Raw materials @ 10 per kg	30	20
Direct wages @ Rs. 5 per hour	15	20
Variable overhead	25	30
Fixed cost (total) Rs. 30,000		

Product *A* and *B* are sold in the market at Rs. 100 and Rs. 95 per unit respectively. The company can produce 1500 units of each of the products using its production facilities subject to the availability of raw materials and direct labours.

Recommend the most profitable product/sales mixes of the company :

a) if 4500 kg of raw materials are available.

b) if 7500 direct labour hours are available.

$2\frac{1}{2} + 10$

2. *Y* Ltd. usually purchases its component part *M* for its final product. During any one year, the company will require 10,000 units that can be acquired for Rs. 30 per unit. The company currently has underutilized capacity that can be used to manufacture the component part. Total manufacturing costs of Rs. 32 include, Rs. 16 raw material, Rs. 6 direct labour, Rs. 3 variable overheads, Rs. 3 fixed overheads (avoidable) and Rs. 4 other fixed overheads (allocated on the basis of capacity utilized).

   a) Should the company make or buy these parts ?

b) Determine the range of production at which one is more profitable than the other.

$4\frac{1}{2} + 8$

3. The information are available from cost records of a manufacturing organization. Calculate the overhead variances.

Number of budgeted working days	25
Budgeted man-hours per day	6000
Budgeted output per man-hour (units)	2
Budgeted fixed overhead (Rs.)	1,50,000
Actual number of working days	27
Actual man-hours per day	6300
Actual output per man-hour (units)	1·8
Actual fixed overhead incurred (Rs.)	1,56,000

$12\frac{1}{2}$

4. The following data and estimates are available for *ABC* Ltd. for June, July and August :

	June (Rs.)	**July (Rs.)**	**August (Rs.)**
Sales	45,000	50,000	60,000
Wages	12,000	13,000	14,500
Overheads	8,500	9,500	9,000

The following information are available regarding direct materials :

	June (Rs.)	**July (Rs.)**	**August (Rs.)**	**September (Rs.)**
Opening Stock	5,000	3,500	6,000	4,000
Material Usage	8,000	9,000	10,000	—

Notes :

a) 10% of sales are for cash, the balance is received in the following month. The amount received in June for May's sales is Rs. 29,500.

b) Wages are paid in the month they are incurred.

c) Overheads include Rs. 1,500 per month for depreciation. Overheads are settled in the following month. Rs. 6,500 is to be paid in June for May's overheads.

d) Purchases of direct materials are paid for in the month purchased.

e) The opening cash balance in June is Rs. 11,750.

f) A tax bill of Rs. 25,000 is to be paid in July.

You are required to prepare cash budgets for June, July and August. $12\frac{1}{2}$

MODULE – II

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

5. a) What is 'return on investment' ? Discuss the advantages and limitations of ROI.

   b) A company has 20 cars in operation in its transport department. The budget based on 50000 km of run for a month is Rs. 2,00,000 of which Rs. 50,000 is fixed. During the last month, the total km run by all the 20 cars were 45000 km and the actual costs incurred were Rs. 1,90,000. The company could hire a car @ Rs. 4·25 per km run.

   Evaluate the performance of the transport department on the basis of (i) cost centre (ii) profit center. $6\frac{1}{2} + 6$

6.

	Product A	**Product B**
Production (Units)	50	100
Inspection per product line	25	5
Machine hours per unit	15	20

Total budgeted inspection costs is Rs. 33,000

What is the inspection cost per unit under traditional system and *ABC* system ? $12\frac{1}{2}$

7.

EBIT (Rs.)	1,00,000
Investments (Rs.)	3,00,000
12% Debentures (Rs.)	50,000
Shareholders' equity (Rs.)	2,50,000
Risk-free rate of return	6%
Market rate of return	15%
Beta factor (β)	1·2
Tax rate	40%

Calculate Residual Income and EVA. $12\frac{1}{2}$

8. Write short notes on any *two* of the following : $6\frac{1}{4} \times 2$

a) Transfer Pricing

b) Balanced Scorecard

c) ABC system

d) Responsibility Accounting

e) Value Chain Analysis.