

POST-GRADUATE COURSE
Term End Examination : June, 2017
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) Define management accounting. State the functions and scope of management accounting.
- b) A firm 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 @ Rs. 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 firm can produce 1500 units 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 firm :

- (i) if 4,500 kgs of raw materials are available
- (ii) if 7,500 direct labour hours are available.

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

2. A firm can produce one of its products using any of the two machines — X & Y.

Machine X and Y can produce 25 Units and 15 Units per hour respectively. Each of the machines can work for 3000 hours per annum. The costs per Unit of the product and its selling price are given below :

	Machine X Rs.	Machine Y Rs.
Direct Materials	30	30
Direct wages	20	15
Variable overhead	15	10
Fixed overhead	5	5
	70	60
Selling Price	100	100

Which of the two machines the firm should select ?

$$12 \frac{1}{2}$$

3. a) Define standard costing. State the advantages of standard costing.
- b) From the following sales and cost data relating to an organisation.

Calculate the sales variances based on profit :

Product	Budgeted Sales (Units)	Budgeted Selling Price Per Unit (Rs.)	Actual Sales (Units)
A	1,280	20	650
B	3,200	12	3900
C	1,920	16	1950

Actual Sales value (Rs.)	Standard Cost/Unit (Rs.)	Actual Cost/Unit (Rs.)
12,350	16	18
50,700	10	12
29,250	13	13

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

4. A manufacturing firm is currently producing 10,000 units operating at 50% capacity. The goods are sold at Rs. 100 per unit. The cost incurred at the current level is as follows :

	Rs.
Direct Material	5,00,000
Direct wages	1,50,000
Factory overheads (40% fixed)	1,50,000
Administration overheads (40% variable)	1,00,000
Total	9,00,000

The firm expects that (i) at 60% level, material and labour cost would increase by 5% and selling price would decrease by 5%. (ii) At 80% level, material and labour cost would increase by 10% and selling price would decrease by 10%.

Prepare a flexible budget for 50%, 60% and 80% levels showing the profit at each of these levels and suggest the optimum level for the firm. $12\frac{1}{2}$

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 50,000 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 45,000 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 (a) cost center (b) Profit center.

$$3\frac{1}{2} + 9$$

6. Write short notes on any *two* of the following :

$$6\frac{1}{4} + 6\frac{1}{4}$$

- a) ABC system
- b) Responsibility Accounting
- c) Balanced Scorecard
- d) Transfer Pricing.

7. a)

	Product I	Product II
Production (Units)	50	100
Inspection per product line	25	5
Machine hours per Unit	15	20

Total budgeted inspection costs Rs. 33,000.

What is the inspection cost per unit under traditional system and ABC system ?

b) What is Activity, based Management ?

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

8. a) Distinguish between Residual Income and Economic Value Added.

b)

EBIT	Rs. 1,00,000
Investments	Rs. 3,00,000
12% Debentures	Rs. 50,000
Shareholder 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.

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