(b) State various steps involved in Activity Based Costing. 5+5=10

5. A product passes through three processes A, B, and C. The details of expenses incurred on the three processes during the year 2014 were as under :

Units introduced to process A are 10000 @ Rs. 100 per unit.

Other details :

	A	B	C
	Rs.	Rs.	Rs.
Sundry Materials	10000	15000	5000
Labour	30000	80000	65000
Direct Expenses	6000	18150	27200
Selling Price per unit	120	165	250

Actual output of the three processes was :

A 9300 units; B 5400 units and C 2100 units two thirds of the output of process A and one half of the output of process B was passed on to the next process and the balance was sold. The entire output of process C was sold.

The normal loss of the three processes calculated on the input of every process was : processes A 5%; B 15% and C 20% . The loss of process A was sold at Rs. 2 per unit, that of B

A (Printed Pages 8)

Roll No. ____________

MS-3108

M.B.A. (Semester-II) Examination, 2015

(Common Subject)

MANAGEMENT ACCOUNTING

(IMS-022)

Time Allowed : Three Hours] *[Maximum Marks : 70*

Note : Answer five questions in all. Question No. 1 carrying 30 marks is compulsory. Attempt one question of 10 marks from each unit.

1. Give brief answers to the following : 3×10=30

(a) Distinguish between financial accounting and management accounting.

(b) What is effect of following on break-even Point and Profit Volume Ratio?

(i) Increase in number of units of sales

(ii) Decrease in variable cost per unit.

(iii) Increase in selling price per unit

(c) How do we deal with over-absorption and under absorption of factory overheads?

(d) Describe the objects of preparing cost sheet.

(e) Describe the characteristics of good budgetary control system.

(f) State the situations in which decision making is considered necessary.

(g) Write short note on differential cost analysis.

(h) What are the advantages of standard costing?

(i) What do you mean by transfer pricing?

(j) Explain the concept of residual income.

Unit - I

2. Explain and illustrate the role of Management Accounting in planning, controlling and decision making in a business firm. 10

3. The following data form the budget records of fitwell company for the forthcoming budget period :

	Rs.
Selling Price (per pair of gloves)	100.00
Variable Cost (Per pair of gloves) :	
Cost of Gloves	75.00
Sales commission	5.00
Total	80
Annual fixed expenses :	
Rent	80000.00

Salaries	220000.00
Other fixed expenses	60000.00
	360000.00

Although the firm manufactures gloves with different styles but they have identical purchase costs and selling prices.

You are required to consider the following questions. Each question is to be treated independently.

(a) What is the annual break-even point both in terms of units and value?

(b) If the store manager is paid 0.3 percent commission on sales, what would be the annual break-even point both in terms of units and value.

(c) If the firm decides to pay a fixed salary of Rs.100000 in lieu of sales commission, what would be the annual break-even point in terms of units and value?

(d) If stores manager is paid 0.3% commission on each pair sold in excess of the break even point, what would be the profit if 30000 pairs were sold? 10

Unit-II

4. (a) Describe briefly the main features of job order costing.

During a period 100 units of the product were produced, the actual cost of which was as follows :

Grade of workers	Hours worked	Rate Rs.	Amount Rs.
A	3200	1.50	4800
B	1900	4.00	7600
	5100		12400

Calculate labour variances. 10

9. Prepare a flexible budget and forecast the profits at 40%, 60% and 75% capacity from the following data : Selling price per unit is Rs. 300/-

Budgeted output/capacity	100000 units
Costs per unit :	Rs.
Direct Material	90.00
Direct Labour	45.00
Direct variable expenses	10.00
Manufacturing variable overheads	40.00
Fixed Production overheads	5.00
Administration overheads fixed	5.00
Selling overheads	10.00 (10% fixed)
Distribution overheads	15.00 (15% fixed)

Note : Distinctly show variable, fixed and total cost. 10

Rs. 5 per unit and of process C at Rs. 10 per unit.

Prepare the three process Accounts. 10

Unit-III

6. An enthusiastic marketing manager suggests to his managing director that only if he is permitted to reduce the selling price of a product by 20% he would be able to achieve a 30% increase in sales volume. The managing director finding that the suggestion of marketing manager may hold good gives the clearance. You are given the following information :

Present selling price per unit	Rs. 7.50
Present volume of sales	200000 units.
Total variable cost	Rs. 1050000
Total fixed cost	Rs. 360000

Assuming no changes in the costs pattern in the coming period :

(i) Examine the consequences of the managing directors decision assuming that 30% increase in sales is realized.

(ii) At what volume of sales can the present quantum of profits be sustained, after effecting the price reduction? 10

7. Part no 4466 is manufactured by Modern Engineers Ltd. and is used extensively in the

company's finished products. The annual requirement of this component is 12000 units. The lowest price quotation so far acquired from an outside supplier is Rs. 21.50 per unit. This is being considered as the company wants to discontinue manufactures of this component and buy it from outside. You are asked to help the company to take a decision. In this connection the following information is supplied to you :

The expenses when part no. 4466 was in production for 12000 units were as under :

	Rs.
Materials	350000
Lighting	20000
Power	30000
Insurance	15000
Direct Labour	400000
Indirect Labour	160000
Depreciation	200000
Miscellaneous	27000

Bonus to labour work out to normally 15% of the Total labour cost. Discontinuing the production of this component would not in any way permit the disposal of any of the factory assets. The following proportion of expenses

can be avoided, if manufacture of part No. 4466 is stopped :

Material 30% ; Direct Labour 35%, Indirect Labour 25% and Power 20%.

When the part is purchased from an outside supplier, shipping charges would average 75 paise per unit and indirect labour cost would be increased by Rs. 20000 annually for receiving, inspecting and handling the purchased parts. Ascertain the relative costs of buying and saving in the cost of manufacture (if purchased from outside supplier) of part no. 4466 and give year recommendation regarding making or buying :

What would be the non-financial aspects that would be relevant to the decision. 10

Unit-IV

8. A company manufactures a particular product, the standard direct labour cost of which is Rs. 120 per unit and which is compared of as follows :

Grade of workrs	Hours Per unit	Rate per Hour (Rs.)	Amount (Rs.)
A	30	2	60
B	20	3	60
	50		120