<u>SET: A</u>

Paper Code: 22417501

Name of the Paper: MANAGEMENT ACCOUNTING

Name of the Course: B.COM(H)

Semester: V, CBCS

Duration: 3 Hours

Maximum Marks: 75

<u>Instructions for Candidates</u>

1) It is an open book examination

2) Attempt any **four** Questions. **All** questions carry equal marks.

3) Answers may be written either in English or Hindi, but the same medium should be used throughout the paper.

Q1 (a) "Management Accounting is an extension of managerial aspects of cost accounting." Elucidate.

(b) How will you define the concept of cost reduction? Differentiate between cost reduction and cost control.

Q2 The following information relating to third and last quarter of 2018-19 is furnished by a company which manufactures and sells a single product:

	Third Quarter (Actual)	Last Quarter (Estimate)
Sales	₹ 6,24,000	₹ 6,60,000
Inventory of raw material and finished goods	Closing Balance	Target Closing Balance
Raw Material A (kgs)	23,500	25,000
Raw Material B (kgs)	13,400	15,000
Finished Goods (units)	700	1,000

Unit Cost data:

Raw Material A------------------→ 10 kgs@ ₹ 6

Raw Material B------------------→ 5 kgs @ ₹ 4

Direct Labour:

Machine Shop-> Machine time: 5 hours @ ₹ 8

Assembly-> Labour time: 2 hours @ ₹ 10

Production Overheads:

Machine Shop-> ₹ 24 per machine hour

Assembly-> ₹ 20 per labour hour

Selling and Administration overheads- 20% of production cost

Profit Margin- 10% of selling price

Production and sales occur evenly during the budget period.

Required:

(i) to calculate the selling price of the product and the number of units estimated to be sold

(ii) to prepare for the last quarter of the year:

(a) Production Budget in units
(b) Material Purchase Budget (Quantity and Value)
(c) Production Cost Budget

Q3. A company follows the system of standard costing. The records of the company reveal the following information for the month of May:

	Budgeted	Actual
Number of man-hours	8000	8600
Number of working days	20	22
Overhead rate per hour	₹ 1.00	-
Hours per unit of output	20	-
Fixed Overheads incurred	-------	₹ 7,200
Number of units produced	--------	450 units

For the month of May, calculate the following variances for fixed overheads:

(i) Overhead Cost variance
(ii) Overhead Volume variance
(iii) Overhead Efficiency variance
(iv) Overhead Capacity variance
(v) Overhead Budget variance
(vi) Calendar variance

Q4 (a) The following information is available related to POR Ltd:

	2019	2020
Sales	₹ 200,000	Decrease in selling price and decrease in fixed costs are the only changes in 2020 as compared to 2019
M/S Ratio	25%	40%
P/V Ratio	33.33%	30%

You are required to calculate:

(i) Decrease in sales amount in 2020
(ii) Fixed costs of both the years
(iii) Profits for 2020
(iv) Break Even Point for 2020

(b) Write a short note on Margin of Safety.

Q5. Kaustubh Ltd. company manufactures component Q, one unit of which is required for each unit of Product K. The budgeted output of K is 1,20,000 units. The cost details for 10,000 units of component Q are as under:

	₹
Direct Materials	72,000
Direct labour @ ₹ 15 per hour	90,000
Variable overheads	54,000
Fixed overheads	54,000

The component Q's unit price is ₹ 24 in the market. If the company decides to purchase the component Q from the market, it has the following two options for the capacity so released:

(i) Rent out the released capacity at ₹ 3 Per hour.

(ii) Manufacture another component, Alpha, which can be sold at ₹ 24 per unit in the market. The cost details of this component for 10,000 units are as follows:

	₹
Direct Materials	90,000
Direct labour@ ₹ 15 per hour	45,000
Variable overheads	90,000

Required:

(a) Evaluate the two options available for the use of spare capacity and recommend whether the company should manufacture or buy the component Q. If your recommendation is in favour of buying the component Q from the market, which of the two options you will prefer?

(b) In case, no alternative use of the spare capacity is there, whether the company should make the component Q in the factory or purchase it from the market?
Give proper workings to justify your recommendation.

Q6 (i) Define a responsibility centre in a responsibility accounting system. Explain about the various types of responsibility centres.

(ii) What are the limitations of Cost-Volume -Profit analysis?

(iii) Compared with Absorption costing, in which situations, Variable costing system shows higher, lower or equal profits. Explain briefly.

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