

M.Com. (HPP) (AAA) Semester-3 Examination
CC-14

Management Accounting-I

Time : 2-30 Hours]

March-2024

[Max. Marks : 70]

Q.1 Calculate and explain the material cost variance as per Opportunity cost approach and traditional approach from the details given below of PQR Ltd. for the year 2022-23:
 Standard cost of materials per unit of finished product: 5 kgs. at ₹5 per kg.

Actual production: 16,000 units

Actual material cost: 96,000 kgs. at the cost of ₹5,28,000

The changes in the government's policy relates to import-export resulted in the possible purchase price of ₹4 per kg.

14

OR

Q.1 Explain the difference between Financial Accounting and Management Accountancy.

14

Q.2 Zeel Ltd. has prepared the following Sales Budget for the first five months of 2024:

	Sales (Units)
January	10,800
February	15,600
March	12,200
April	10,400
May	9,800

Inventory of finished goods at the end of every month is to be equal to 25% of sales estimate for the next month. On 1st January 2024, there were 2,700 units of product on hand. There is no work in progress at the end of any month.

Every unit of product requires two types of materials in the following quantities:

Material P – 4 kg, Material Q – 5 kg.

Materials equal to one half of the requirement of next month's production are to be in hand at the end of every month. This requirement was also met on 1st January 2024.

Required : Prepare the following budgets for the quarter ending 31st March, 2024 :

(a) Production Budget (Quantitative), (b) Material Purchase Budget (Quantitative).

14

OR

Q.2 Explain the advantages and disadvantages of Budgetary Control.

14

Q.3 Explain Partial plan and Single plan.

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OR

Q.3 Birva Limited has adopted system of standard cost for its product "M." The following details are provided by management of the company. From this information you are asked to prepare necessary accounts as per partial plan.

P.T.O

Particulars	Standard ₹	Actual ₹	Name of Variance	Amount ₹
Material	36,000	37,000	Material Price Variance	-400
			Material Usage Variance	-600
Labour	43,200	43,600	Labour Rate Variance	+400
			Labour Efficiency Variance	-800
Variable Overheads	54,000	54,200	Variable Overheads Expenses Variance	+1,000
			Variable Overheads Efficiency Variance	-1,200
Fixed Overheads	32,000	32,600	Fixed OH Expense Variance	-600
Total Cost	1,65,200	1,67,400		- 2,200
Sales	2,40,000	2,40,000		-
Profit	74,800	72,600		- 2,200

14

Q.4

(A) Explain the Materiality Significance Model.

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(B) Explain the problems arising in interpretation of inflation and price variance.

7

OR

Q.4

(A) In Param Ltd. an adverse material usage variance of ₹72,000 was reported in June 2023. The cost of investigation the variance would be ₹15,000 and the cost of corrective action, if the variance proves to be controllable, would be ₹18,000. It is estimated that the savings which would be earned from correcting the variance, if it were controllable would be ₹80,000. The probability that the variance is controllable is 0.40. State whether the variance should be investigated? Use cost benefit model.

7

(B) Explain Control Charts Model in brief.

7

Q.5

Select the appropriate alternative. (Attempt any Seven out of given)

14

(1) Which of the following is not a type of Budget?

- (A) Sales Budget
- (B) Cash Account
- (C) Cash Budget
- (D) Purchase Budget

(2) Which of the following method is not a method of Management Accounting?

- (A) Marginal costing
- (B) Material Costing
- (C) Budgetary control

(D) Standard costing

(3) A fixed budget is:....
(A) A budget that ignores inflation
(B) A budget that is set for a specified level of activity
(C) A budget that never changes
(D) A budget that itemizes the fixed costs of a department

(4) Which of the following will NOT appear in a cash budget?
(A)Machinery bought on hire purchase
(B)Depreciation of machinery
(C)Sales revenue
(D)Wages

(5) Material Cost Variance = - 12,725 (A)
Material Usage Variance = + 6,975 (F)
Material Price Variance = (?)
(A)₹ + 19,700 (F)
(B) ₹ -19,700 (A)
(C) ₹ + 5,750 (F)
(D) ₹ - 5,750 (A)

(6) Under Partial plan method, the Material Price Variance, Labour cost variance and Factory Overhead variances are recorded in _____
(A) WIP Account
(B) Cost of Sales Account
(C) Actual Cost
(D) None of the above

(7) Which of the following is not a Cost Variance Investigation Model?
(A) Profit-Volume Model
(B) Control Charts Model
(C)Materiality Significance Model
(D) None of the above

(8) Under Partial plan method, the Material Price Variance is determined based on

(A) Purchase Quantity
(B) Consumed Quantity
(C) Budgeted Quantity
(D) None of the above

(9) Budgeted sales units are normally determined by -
(A)The account department
(B)The engineering department
(C)The personnel department
(D) The marketing department

(10) One of the following is not within the scope of Management Accounting:

- (A) Formulation of policies
- (B) Classification and collection of costs
- (C) Decision making on alternative courses of action
- (D) Planning and co-ordinating the activities of the business enterprise

(11) As per opportunity cost approach material price variance = _____

- (A) Actual Quantity (Standard Price - Actual Price)
- (B) Actual Quantity (Revised Standard Price - Actual Price)
- (C) Standard Quantity (Actual Price - Standard Price)
- (D) None of above

(12) Operating Variance = _____.

- (A) Original standards - Revised standards
- (B) Revised standards - Actual results
- (C) Original standards - Actual results
- (D) None of the above
