

**M.Com. (HPP-AAA) Sem.-3 Examination****CC-14****Management Accounting-I****Time : 2-30 Hours]****March-2025****[Max. Marks : 70**

**Q.1** From the following details of Harvik Ltd., calculate the material cost variance as per

- (i) Opportunity Cost approach and  
(ii) Traditional Approach.

Standard cost of materials per unit of finished product: 5 kgs. at ₹10 per kg.

Actual production: 1,000 units

Actual material cost: 6,000 kgs. at the cost of ₹66,000.

The changes in the government's policy relates to import-export resulted in the possible purchase price of ₹8 per kg. **14**

**OR****Q.1**

(A) The following data are given for Roshan Ltd. for a month:

<b>Estimated data:</b>	₹
Production and sales (18,000 units at ₹30)	5,40,000
Variable cost at ₹12.50 per unit	2,25,000
Fixed Cost	75,000

Due to machine breakdown production for 4 days out of working 24 days was lost.

<b>Actual data:</b>	₹
Production and sales (16,000 units at ₹30)	4,80,000
Variable cost at ₹12.50 per unit	2,00,000
Fixed Cost	75,000

From the above details, calculate the followings with reference to profit:

- (i) Planning Variance  
(ii) Operational Variance **7**

(B) Explain the limitations of Management Accounting. **7**

**Q.2** Meera & Co. produces and markets a very popular product called "MINGU". The company is interested in presenting its budget for the period January to March, 2025. The following information are made available for this purpose:

- (i) It expects to sell 25,000 bags of MINGU during the period at the selling price of ₹18 per bag.  
(ii) Each bag of MINGU required 5 kgs. Of raw material 'P' and 15 kgs. of raw material 'Q'.  
(iii) Stock levels are budgeted as under:

	<b>01.01.2025</b>	<b>31.03.2025</b>
Finished bags of MINGU (units)	7,500	5,500
Raw material 'P' (kgs.)	32,000	26,000
Raw material 'Q' (kgs.)	57,000	47,000
Empty bags (units)	18,500	14,000

- (iv) 'P' costs ₹1.20 per kg. 'Q' costs ₹0.20 per kg. and empty bag costs ₹1.60 each.  
(v) It requires 9 minutes of direct labour time to produce and fill one bag of MINGU. Labour cost is ₹10 per hour.

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- (vi) Variable manufacturing costs are ₹0.90 per bag. Fixed manufacturing cost ₹30,000 for the period.
- (vii) Variable selling and administration expenses are 5% of sales. Fixed selling and administration expenses are ₹25,000 for the period.

**You are required to:**

- (i) Prepare a Production Budget (in quantity) for January to March, 2025.
- (ii) Prepare Raw Materials Purchase Budget for 'P', 'Q' and Empty Bags for the said period in quantity as well as in rupees.
- (iii) Prepare a statement of budgeted net income of 25,000 bags for the said period (only in total). 14

**OR**

**Q.2**

- (A) Explain the objectives of Budgetary Control. 7
- (B) Explain Fixed and Flexible Budget. 7

**Q.3** Explain Single Plan and Partial Plan. 14

**OR**

**Q.3** Kishan Ltd. manufactures a standard product "R". Annual budget for production is 10,000 units, but actual production and sales were 9,000 units. Direct wages standard rate per hour is ₹8 and variable overhead standard rate per hour is ₹10. Other information is as under:

Particulars	Per Unit Standard Cost (₹)	Actual Cost (₹)
Direct materials	20	1,85,000
Direct wages	24	2,18,000
Variable overheads	30	2,71,000
Fixed overheads	16	1,63,000
Actual sales	-	9,10,000

**Information of Variances:**

- (i) Direct material rate variance and direct material usage variances are unfavourable. Ratio is 2 : 3.
- (ii) Direct labour rate is favourable but labour efficiency variance is unfavourable. Ratio is 1 : 2.
- (iii) Variable overheads expenditure variance is favourable and variable overhead efficiency variance is unfavourable. Ratio is 5 : 6.
- (iv) Fixed overheads variance is unfavourable and fixed overheads quantity variance is unfavourable. Ratio is 1.5 : 8.
- (v) Sales price variance is favourable ₹10,000.

Find out actual profit and budgeted profit and prepare reconciliation statement. 14

**Q.4**

(A) In Hemangi Ltd. an adverse material usage variance of ₹3,600 was reported in October 2024. The cost of investigation the variance would be ₹750 and the cost of corrective action, if the variance proves to be controllable, would be ₹900. It is estimated that the savings which would be earned from correcting the variance, if it were controllable would be ₹4,000. The probability that the variance is controllable is 0.40.

Required:

- (i) State whether the variance should be investigated? Use cost benefit model.
- (ii) The probability at which it is desirable to company investigation into variance. 7

(B) Explain Materiality Significance model.

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OR

Q.4

(A) Explain the problems arising in interpretation of Inflation and price variance in brief. 7

(B) Simon Limited operates a standard costing system in its factory. Based on its past record, it appears that the material cost variance happens to be ₹12,000 a month, on an average. If the cause of the variance can be found and is correctible, the correction process will require two months. This correction is likely to have favourable effect for a period of two months. The investigation of variance will cost ₹2,000. Correction of the cause of variance will cost ₹4,000 and the probability for finding the cause is 0.40.

Required:

- 1) Would you recommend launching an investigation? Why?
- 2) What is the minimum probability of finding a correctable cause that would justify an investigation?

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Q.5 Select the appropriate alternative: (Attempt any Seven out of given)

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- (1) Material Cost Variance = - 26,000 (A)  
Material Usage Variance = + 7,500 (F)  
Material Price Variance = (?)  
(A) ₹+ 33,500 (F)  
(B) ₹ - 33,500 (A)  
(C) ₹ + 18,500 (F)  
(D) ₹ - 18,500 (A)
- (2) Which of the following is a Cost Variance Investigation Model?  
(A) Profit-Volume Model  
(B) Control Charts Model  
(C) Break-Even Model  
(D) None of the above
- (3) CUSUM chart is used for -  
(A) Statistical Significance Model  
(B) Control Charts Model  
(C) Materiality Significance Model  
(D) None of the above
- (4)  $(1-P) =$  \_\_\_\_\_  
(A) Probability that the variance is uncontrollable.  
(B) Probability that the process is in control  
(C) Probability that the variance is controllable  
(D) None of the above
- (5) Which of the following is not a type of Budget?  
(A) Sales Budget  
(B) Cash Account  
(C) Flexible Budget  
(D) Master Budget

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- (6) Under Partial plan method, the \_\_\_\_\_ Variance is determined based on Purchase quantity.
- (A) Purchase Price
  - (B) Labour Rate
  - (C) Sale Price
  - (D) None of the above
- (7) Sales Price Volume Variance = \_\_\_\_\_
- (A) Budgeted Price (Budget units - Actual units)
  - (B) Standard profit per unit (Actual units - Budget units)
  - (C) Budget units (Standard profit per unit - Actual profit per unit)
  - (D) Actual units (Standard profit per unit - Actual profit per unit)
- (8) Which of the following will appear in a cash budget?
- (A) Bad debts written off
  - (B) Goodwill written off
  - (C) Credit Purchases
  - (D) Wages
- (9) Under Partial plan method, the Material Cost 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
- (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) Which of the following method is not a method of Management Accounting?
- (A) Marginal costing
  - (B) Material Costing
  - (C) Budgetary control
  - (D) Standard costing
- (12) 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 the above

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