Seat No. : _______________

LG-101

April-2014

B.B.A., Sem.-VI

CC-312 : Management Accounting

Time : 3 Hours] **[Max. Marks : 70**

Instructions : (1) Attempt **all** questions.
(2) Figures to the right indicates full marks.

1. (a) Distinguish between 'Management Accounting' and 'Cost Accounting'. **4**

(b) A factory is producing product "A". Its installed production capacity at 100% is 20,000 units per annum. Estimated cost of production at 40% and 60% of installed capacity is as follows :

	Capacity	
	40%	60%
Materials	2,00,000	3,00,000
Wages	1,20,000	1,80,000
Direct Expense	40,000	60,000
Factory Overhead	1,75,000	2,00,000
Administration Overhead	1,25,000	1,45,000
Selling Expense	1,80,000	1,80,000

Prepare a Flexible Budget at 50% and 90% of its production capacity. **10**

OR

(a) A company manufactures two products X and Y. It has three shops in Rajkot selling these products. The Sales Manager of the company has given following estimates for the year 2013 : **7**

	Shop 1	**Shop 2**	**Shop 3**
Product X(units)	1,00,000	1,40,000	50,000
Product Y(units)	1,20,000	1,80,000	30,000

The selling price of X is ₹ 45 per unit and selling price of Y is ₹ 50. It is estimated by the Sales Manager that sales of Y in Shop No. 1 can be increased by 40,000 units by increase in advertisement and the sale of Y in Shop No. 3 can be increased by 20,000 units by making necessary adjustments in the administration of production and sales office. In respect of both products, the sale of Shop No. 2 is not satisfactory and increase of 20% is required.

Prepare Sales Budget for the year 2013.

(b) The sales director of a manufacturing company reports that next year he expects to sell 60,000 units of a particular product. Two kinds of raw-materials A and B are required for manufacturing the product. Each unit of product requires 2 kg of 'A' and 3 kg of 'B'. The estimated opening and closing balances at the commencement and end of next year are **7**

	Opening Balance	**Closing Balance**
Finished product	22,000 units	21,000 units
Raw-material 'A'	14,000 kg.	12,000 kg.
Raw-material 'B'	15,000 kg.	16,000 kg.

Prepare production budget and material purchase budget for the next year.

2. XYZ Ltd. manufacturer of product 'X' uses a standard cost system. Standard product and cost specification for 2000 kg of product 'X' are as follows : **14**

Material	**Quantity (kg.)**	**Price per kg.**	**Cost (₹)**
A	1600	3	4,800
B	400	5	2,000
C	400	2	800
Input	2,400		**7,600**
Output	2,000		
Loss	**400**		

Material records indicate :

Material	**Consumption in January**
A	3,14,000 kg @ ₹ 2.9
B	76,000 kg @ ₹ 5.2
C	72,000 kg @ ₹ 2.1

Actual finished production for the month of January is 4,00,000 kg. Calculate material cost, price, usage, mix and yield variances.

OR

Data about labour employed in a factory to produce one unit of product 'X' are as follows :

	Hours	**Wage rate (₹)**	**Total payment (₹)**
Skilled workers	5	4	20
Unskilled workers	8	2	16
Semi-skilled workers	4	2.5	10
			46

Actual situation :

Actual production : 800 units

	Hours	**Wage rate (₹)**	**Total payment (₹)**
Skilled workers	3,800	4.4	16,720
Unskilled workers	7,000	1.8	12,600
Semi-skilled workers	3,650	2.5	9,125
	14,450		**38,445**

Calculate following variances:

(i) Labour Cost Variance

(ii) Wage Rate Variance

(iii) Labour Efficiency Variance

(iv) Labour Mix Variance

3. From the following particulars, find out the most profitable product mix : **14**

Particulars	**A**	**B**	**C**
Units budgeted to be produced and sold	2,700	4,500	1,800
Selling price per unit	₹ 90	₹ 82	₹ 75
Direct material per unit (₹)	45	27	36
Direct Labour	6 hours	4 hours	3 hours
Variable Overhead (₹)	11	20	12
Direct labour hour rate	₹ 3	₹ 3	₹ 3
Maximum sales unit	6,000	5,000	2,200

Total fixed overhead ₹ 90,000. All products are produced from the same direct material using the same type of machines and labour. Direct labour is the key factor is limited to 27,800 hours.

OR

(a) ABC company manufactures a number of electronic parts. The cost per unit of part 'X' is as follows : **7**

Particulars	**₹**
Materials	6.5
Labour (25% fixed)	3
Expense	
Variable	2
Fixed	1
	12.5

An outside firm has offered to supply 'X' at ₹ 11.5 per unit. Quality and regular supplies are guaranteed. The present production is 20,000 units per annum. Should 'X' be made or bought ?

(b) The budget officer of XYZ Co. Ltd. has prepared budget for the incoming year and the following information is available from it : **7**

Particulars	**₹**
Sales (1,00,000 units)	2,00,000
Variable Cost	80,000
Fixed Cost	90,000

From the above mentioned information find out :

(i) Profit Volume Ratio

(ii) Break Even Point

(iii) Margin of Safety

(iv) Margin of safety when there is 20% increase in number of units sold.

(v) New profit volume ratio when variable cost increases by 5%.

4. (a) Define Responsibility Accounting. Explain in detail responsibility centres. **7**

OR

What is transfer pricing ? Explain in brief the various types of transfer pricing.

(b) Write short notes : (any **two**) **7**

(i) Target costing

(ii) Life Cycle Costing

(iii) Advantages of activity based costing.

5. Do as directed : **14**

(1) Management Accounting is for _________.

(a) Shareholders (b) Creditors

(c) Government (d) Management

(2) Define 'Cash Budget'.

(3) The cost which charge in direct proportion to level of activity are. (fixed cost/variable cost)

(4) When there is only one type of material, material cost variance = material price variance + material usage variance. (true/false)

(5) When actual units sold are greater than budgeted sale units, sales volume variance is favourable. (true/false)

(6) Standard costing is a technique of cost control. (true/false)

(7) Margin of safety = Actual sales (–) _________ sales. (Break even / Budgeted)

(8) State the formula for profit – volume ratio.

(9) A cost that have been incurred once cannot be recoverable in the future is a _________.

(a) Marginal Cost (b) Differential Cost

(c) Sunk Cost (d) Controllable Cost

(10) A company has fixed cost of ₹ 2,50,000, sale price is ₹ 10 and variable cost ₹ 6. What is Break Even Point (units) ?

(a) 50,000 units (b) 62,500 units

(c) 25,000 units (d) 20,000 units

(11) Which of the following is not responsibility centre ?

(a) Expense centre (b) Profit centre

(c) Investment centre (d) Account centre

(12) State the four stages of product life cycle.

(13) Define 'Activity Based Costing'.

(14) On the basis of behaviour, costs can be classified as ___________, _________ and __________.