81178 Seat No._____

Third Year B. B. A. Examination

April / May – 2003

Management Accountancy

Time : **3** Hours] [Total Marks : **70**

Instructions : (1) Figures to the **right** indicate marks of the questions.

(2) Show calculation wherever necessary.

1 Define Management Accountancy ? Differentiate Management Accountancy and Financial Accountancy. **7**

OR

1 Write notes in detail on "activity based costing". **7**

OR

2 *Modern Manufacturers Ltd.* have three production departments P_1, P_2 and P_3 and two service departments S_1 and S_2, the details pertaining to which are as under : **7**

Particulars	P_1	P_2	P_3	S_1	S_2
Direct wages (Rs.)	3,000	2,000	3,000	1,500	195
Working hours	3,070	4,475	2,419	—	—
Value of machines (Rs.)	60,000	80,000	1,00,000	5,000	5,000
Horse-power of machines	60	30	50	10	—
Light points	10	15	20	10	5
Floor space (sq. feet)	2,000	2,500	3,000	2,000	500

The following figures are extracted from the accounting records :

	Rs.
Rent and Rates	5,000
General lighting	600
Indirect Wages	1,939

Power 1,500
Depreciation on machines 10,000
Sundries 9,695

The expenses of the service departments are to be allocated as under :

	P_1	P_2	P_3	S_1	S_2
S_1	20%	30%	40%	–	10%
S_2	40%	20%	30%	10%	–

Prepare a statement showing distribution of overheads to various departments and redistribution of service departments expenses to production departments applying "Repeated distribution method".

2 The standard mix of product 'X' is as follows : **11**

Material	**Kgs.**	**Price per kg. Rs.**
A	50	5
B	20	4
C	30	10
	100	

The standard loss in production is 10% of the input. There is no scrap value.

Actual production of product 'X' was 5400 kgs. Actual consumption of material and cost were as follows :

Material	**Kgs.**	**Price per kg.**
A	3,170	5.50
B	1,260	3.75
C	1,920	9.50
	6,300	

You are required to calculate the following variances :

(i) Material cost variance

(ii) Material price variance

(iii) Material mix variance

(iv) Material usage variance

(v) Material yield variance.

OR

2 (a) What are the advantages and limitations of standard costing ? **6**

(b) Differentiate standard costing and Budgetary control. **5**

3 From the particulars given below prepare a cash budget from January to May 2002 : **12**

(i) Sales :

Month	*Amount (Rs.)*
November 2001	1,60,000
December 2001	1,40,000
January 2002	1,60,000
February 2002	2,00,000
March 2002	1,60,000
April 2002	2,00,000
May 2002	1,80,000
June 2002	2,40,000
July 2002	2,00,000

(ii) Sales 20% cash and 80% credit payable in the third month.

(iii) Variable expenses 5% on turnover, time lag half month.

(iv) Commission 5% on credit sale payable in the third month.

(v) Purchases are 60% of the sales. Payment will be made in 3rd month of purchases.

(vi) Rent Rs. 6,000 paid every month.

(vii) Other payments :

Tax : Rs. 40,000 (April)

Fixed assets : Rs. 1,00,000 (March)

(viii) Depreciation 3,500 per month.

(ix) Opening cash balance Rs. 50,000.

OR

3 The following data is available in a manufacturing company for a yearly period : **12**

(Rs. in lacs)

Fixed Expenses	***Rs.***	***Semivariable expenses***	***Rs.***
Wages & Salaries	9.5	Maintenance & repairs	3.5
Rent & Taxes	6.6	Indirect Labour	7.9
Depreciation	7.4	Sales department-salaries	3.8
Sundry administrative expenses	6.5	Sundry administrative expenses	2.8
	30.0		18.0

Variable expenses (at 50% capacity)

	Rs.
Materials	21.7
Labour	20.4
Other expenses	7.9
	50.0

Assume that fixed expenses remain constant for all levels of production; semi-variable expenses remain constant between 45% and 65% of capacity and increase by 10% between 65% and 80% and increase by 20% between 80% and 100%.

Sales at various levels are as under : (Rs. in lakhs)

	Rs.
50% capacity	100
60% capacity	120
75% capacity	150
90% capacity	180
100% capacity	200

Prepare a flexible budget and find the profit at 60%, 75%, 90% and 100% of capacity.

4 (a) A company provides you the following information relating to the half year ending 30th September 2000 : **10**

Sales Value	Rs. 4,00,000
Profit	Rs. 1,00,000
Fixed expenses	Rs. 1,00,000

During the second half of the same year ending on 31st March 2001, the company has projected a loss of Rs. 20,000.

You are required to calculate :

(i) The P/V ratio, break-even-point and margin of safety for first six months ending on 30th September, 2000.

(ii) The expected sales volume for second half of the year ending on 31st March, 2001 assuming that selling price and fixed expenses remain uncharged in the second half year also; and

(iii) The break-even point and margin of safety for the whole year 2000-2001.

OR

(a) A company provides you the following data : **10**

Particulars	**Products**	
	Nickle	**Anthon**
Contribution per unit	Rs. 30	Rs. 20
Direct labour per unit	10 hours	5 hours

The maximum possible production for each of the products 'Nickle' and 'Anthon' is 100 units.

The fixed overheads are Rs. 1,000.

You are required to suggest the most profitable product mix, assuming that direct labour hours available are only 700 hours.

(b) There is a fall in the demand due to recession, so a plant is running at present at 40% of it's capacity. The *Sanklip Company* provides you the following details : **12**

	Rs.
Direct material	4
Direct labour	2
Variable overheads	6
Fixed overheads	4
	16
Production per month	40,000 units
Total cost of production	Rs. 6,40,000
Sale price	Rs. 5,60,000
Loss	80,000

The company gets an export order for 10,000 units per month at the rate of Rs. 13 per unit.

As the student of Management Accountancy; advise the company whether to accept or reject this offer.
Show your workings also.

OR

(b) *Sampanya Ltd.* manufactures product 'A' at 80% capacity by producing 80,000 units per annum. Cost of product 'A' is as follows : **12**

Material	Rs. 270 per unit
Labour (30% fixed)	Rs. 180 per unit
Expenses :	
Variable	Rs. 90 per unit
Fixed	Rs. 135 per unit
Total	675 per unit

(i) The purchase manager gets an offer from a suppliers who is willing to supply product 'A' at Rs. 545 per unit.

Should product 'A' be purchased and production stopped ?

(ii) Assume the resources now used for manufacturing product 'A' can be used to produce another new product 'Z' for which the selling price if Rs. 500 per unit.

In the latter case, material price will be Rs. 200 per unit. 80,000 units of this product (Z) can be produced at the same cost basis as above for labour and expenses.

You are required to advice whether it is profitable to purchase product 'A' from the market instead of producing and the resources used for producing product 'A' be diverted to produce new product 'Z'. Show your workings also.

OR

(b) Explain any **three** of the following : **12**

(i) Sunk cost

(ii) Opportunity cost

(iii) Period cost

(iv) Imputed cost

(v) Differential cost

5 (a) Discuss the requisites of a good management report. **7**

OR

(a) Explain the different types of management reports. **7**

(b) Define responsibility accounting. Discuss its advantages and limitations. **11**

OR

(b) What is transfer pricing ? Explain any three methods of transfer pricing. **11**