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05MBA32

Third Semester MBA Degree Examination, June-July 2009
Management Accounting and Control System

Time: 3 hrs. Max. Marks:100

Note : *1. Answer any FOUR full questions from question No. 1 to 7.*
2. Question No. 8 is compulsory.

1 a. What is Margin of safety? **(03 Marks)**

b. Explain imputed cost, out of pocket cost, relevant cost, sunk cost. **(07 Marks)**

c. From the following particulars, prepare a cost sheet for the year ended 31.12.2002. **(10 Marks)**

	Rs		Rs
Stock of finished good (1.1.2002)	6,000	Wages	1,75,000
Stock of raw materials(1.1.2002)	40,000	Work Manager's salary	30,000
Work – in – progress (1.1.2002)	15,000	Factory employees salary	60,000
Purchase of raw materials	4,75,000	Power expenses	9,500
Carriage inwards	12,500	General expenses	32,500
Factory, rent, taxed	7,250	Sales for the year	8,60,000
Other production expenses	43,000	Work – in – progress (31.12.2002)	10,000
Stock of goods (31.12.2002)	15,000		
Stock of raw materials	50,000		

2 a. Explain the difference between allocation of overhead, apportionment of overhead. **(03 Marks)**

b. Discuss different stages involved in Activity Based Costing. **(07 Marks)**

c. What is meant by CVP analysis? Briefly explain the assumptions and uses of CVP analysis. **(10 Marks)**

3 a. What is Full – cost pricing? **(03 Marks)**

b. BB Ltd. is a manufacturing co. having three production departments A, B and C and two service depts. X and Y. The following is the budget for December 2004.

	Total (Rs)	A. (Rs)	B (Rs)	C (Rs)	X (Rs)	Y (Rs)
Direct Material	-	1,000	2,000	4,000	2,000	1,000
Direct Wages	-	5,000	2,000	8,000	1,000	2,000
Factory rent	4,000					
Power	2,500					
Depreciation	1,000					
Other OH	9,000					
Additional Information : Area (Sq.ft.)		500	250	500	250	500
Capital value of assets (Rs. in lakh)		20	40	20	10	10
Machine hours		1,000	2,000	4,000	1,000	1,000
Horse power of machines		50	40	20	15	25

A technical assessment of the apportionment of expenses of service departments is as under:

	A	B	C	X	Y
Service dept X	45%	15%	30%	-	10%
Service dept Y	60%	35%	-	5%	-

Required : i) A statement showing distribution of OHS to various departments.
ii) A statement showing re-distribution of service departments expenses to production depts. **(07 Marks)**

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c. A product passes through three processes A, B and C. The normal wastage of each process is as follows : Process A – 3%, B – 5% and C – 8%. Wastage of process A was sold at 25 paise p.u that of process B at 50p. p.u and that of process C at Re. 1 p.u. 10,000 units were issued to process A in the beginning of October 2005 at a cost of Re.1 p.u. The other expenses were as follows :

	Process A	Process B	Process C
Sundry materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	5,000	8,000	6,500
Direct expenses	1,050	1,188	2,009
Actual output	9,500 units	9,100 units	8,100 units

Prepare the process accounts assuming that there were no opening or closing stocks. Also give the abnormal wastage and abnormal gain A/c's. **(10 Marks)**

4 a. What is the difference between cost control and cost reduction? **(03 Marks)**

b. Explain the steps that are to be taken for rational decision – making. **(07 Marks)**

c. From the following data, calculate :

i) Break even point expressed to amount of sales in rupees.

ii) No. of units that must be sold to earn a profit of Rs. 1,20,000 per year.

iii) How many units are to be sold to earn a net income of 15% of sales? **(10 Marks)**

	Rs.
Selling price p.u.	40
Variable manufacturing cost p.u	22
Variable selling cost p.u	3
Fixed factory OH	1,60,000
Fixed selling cost	20,000

5 a. Mention any three advantages of budgeting. **(03 Marks)**

b. What are different types of functional budgets? Which are prepared by a large scale manufacturing concern? Explain and illustrate. **(07 Marks)**

c. For production of 10,000 electrical automatic irons, the following are the budgeted expenses: **(10 Marks)**

	Per Unit
Direct Materials	Rs. 60
Direct Labour	Rs. 30
Variable overheads	Rs. 25
Fixed overheads (Rs. 1,50,000)	Rs. 15
Variable expenses (direct)	Rs. 5
Selling expenses (10% fixed)	Rs. 15
Administration expenses (Rs. 50,000 fixed)	Rs. 5
Distribution expenses (20% fixed)	Rs. 5
Total cost of sale per unit	160

Prepare a budget for production of 6,000 ; 7,000 and 8,000 irons, showing distinctly marginal cost and total cost.

6 a. What is responsibility accounting? **(03 Marks)**

b. Explain the classification of overhead variance. **(07 Marks)**

c. From the following particulars compute : i) Materials cost variance ii) Material price variance iii) Material usage variance. **(10 Marks)**

Quantity of materials purchased :	3,000 units
Value of materials purchased :	Rs. 9,000
Standard quantity of materials required per tonne of output :	30 units
Standard rate of material :	Rs. 2.50 p.unit
Opening stock of materials	Nil
Closing stock of materials	500 units
Output during the period :	80 tonnes

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7 a. Define cost audit. How it is different from financial audit. **(03 Marks)**

b. Hind General corporation produces only one product which has the following cost.

Variable manufacturing costs	Rs. 4 per unit
Fixed manufacturing costs	Rs. 2,00,000 per year

The normal capacity is set at 2,00,000 units There are no work – in - progress inventories In 2001, the company produced 2,00,000 units and sold 90% of them at a price of Rs. 7 per unit. In 2002, the company produced 2,10,000 units and sold 2,15,000 units at the same price. You are required to prepare income statements for 2001 and 2002 based on absorption costing and marginal costing. **(07 Marks)**

c. Explain the various tools and techniques for cost reduction. **(10 Marks)**

8 A company proposes to install a machine for the manufacture of a component which at present is being purchased at Rs. 24 each. There are two alternatives, namely i) installation of an automatic machine and ii) installation of a semi – automatic machine. The details of the machines are as under :

	Automatic machine	Semi – automatic machine
Initial cost of the machine	Rs. 9,00,000	Rs. 6,00,000
Life (years)	10	10
Fixed overheads other than depreciation on machines (p.a)	1,62,000	84,000
Variable expenses of the components	12	15

The company charges depreciation on straight line method. Scrap value o f the machine at the end of life is nil. The demand for the components at present is 20,000 units per annum. This demand is expected to increase to 40,000 units.

Required :

a. For each of the two volumes of output, namely 20,000 and 40,000 units, state with supporting calculations whether the components should be purchased or manufactured by installation of machine. If your decision is in favour of installation of machine, which model do you advise?

b. What volume of output should the company change over from purchase of components to manufacture by installation of i) Semi – automatic machine and ii) Automatic machine.

c. At what volume of manufacture of the components will the company switch over from installation of one type of machine to the other? **(20 Marks)**

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