30/12/07

B/JI/05

PG CO-XVII

POST-GRADUATE COURSE

Term End Examination — December, 2007

M.Com.

MANAGEMENT ACCOUNTING

PAPER XVII

Time — 2 hours *Full marks—50*

(Weightage of marks—80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Group – A

Answer **any one** question : 15×1=15

1.(a) A firm can produce one of its product using any of the two machines—X and Y.

Machine X and Y can produce 25 units and 15 units per hour respectively. Each of the machines can work for 3,000 hours per annum. The costs per unit of the product and its selling price are given below :—

	Machine - X	Machine - Y
	Rs.	*Rs.*
Direct Materials	30	30
Direct Wages	20	15
Variable Overhead	15	10
Fixed Overhead	5	5
	70	60
Selling Price	100	100

Which of the two machines the firm should select ?

61865

(b) A firm had a loss of Rs. 2 per unit when sales were 20,000 units. When sales were 25,000 units the firm had a loss of Rs. 1·10 per unit.

Find BEP. 10+5

2. Warren Plantation Ltd., has 200 hectares of land which can be used for growing jointly or individually tea, coffee and cardamom. The yield per hectare of the different crops and their selling price per kg. are as under :

	Yield	Selling Price per kg.
Tea	2000 kgs	Rs. 20
Coffee	500 kgs	Rs. 40
Cardamom	100 kgs	Rs. 250

The relevant cost data are given below :–

(a) Variable cost per kg. :

	Tea	Coffee	Cardamom
	Rs.	*Rs.*	*Rs.*
Labour charges	8	10	120
Packing materials	2	2	10
Other Costs	4	1	20
Total Costs	14	13	150

(b) Fixed costs per annum are Rs. 18,00,000. The policy of the company is to produce and sell all the three kinds of products and the maximum and minimum area to be cultivated per product is as follows :–

	Maximum	Minimum
Tea	160 hectares	120 hectares
Coffee	50 hectares	30 hectares
Cardamom	30 hectares	10 hectares

Calculate the most profitable product-mix. and the maximum profit which can be achieved. 15

Group – B

Answer **any one** question : 10×1=10

3. From the following sales and cost data relating to an organisation. Calculate the sales variances based on profit.

Budget

Budget	Budgeted Sales (*Units*)	Budgeted Selling Price per Unit (*Rs.*)	Standard Cost Per Unit (*Rs.*)
A	1,280	20	16
B	3,200	12	10
C	1,920	16	13

Actual

Budget	Actual Sales (*Units*)	Actual Sales Value (*Rs.*)	Actual Cost Per Unit (*Rs.*)
A	650	12,350	18
B	3,900	50,700	12
C	1,950	29,250	13

10

4. The information are available from cash records of a manufacturing organization.

Calculate the overhead variances :

Number of budgeted working days	25
Budgeted man-hours per day	6,000
Budgeted output per man-hour (units)	2
Budgeted fixed overhead (Rs.)	1,50,000
Actual number of working days	27
Actual man-hours per day	6,300
Actual output per man-hour (units)	1·8
Actual fixed overhead incurred (Rs.)	1,56,000

10

P.T.O.

Group – C

Answer **any one** question : 15×1=15

5.(a)

EBIT	Rs. 1,00,000
Investments	Rs. 3,00,000
12% Debentures	Rs. 50,000
Shareholders equity	Rs. 2,50,000
Risk-fee rate of return	6%
Market rate of return	15%
Beta factor (B)	1·2
Tax rate	40%

Calculate Residual Income and EVA.

(b)

Existing operating income of a division	Rs. 20,000
Investment	Rs. 1,00,000
Cost of Capital	12%

An investment opportunity has come before the divisional manager with an expected return of Rs. 7,000 on an additional investment of Rs. 50,000.

What is the possibility of accepting the new investment by the divisional manager ? 10+5

6. What do you mean by 'Transfer price' ? Mention the objectives of a sound transfer pricing system. Explain briefly the different methods of transfer pricing. 2½+2½+10

Group – D

Answer **any one** question : 10×1=10

7. A company has 20 cars in operation in its transport department. The budget based on 50,000 km. of run for a month is Rs. 2,00,000 of which Rs. 50,000 is fixed. During the last month, the total km. run by all the 20 cars were 45,000 km. and the actual costs incurred were Rs. 1,90,000.

The company could hire a car @ Rs. 4·25 per km. run.

Evaluate the performance of the transport on the basis of (a) Cost Centre and (b) Profit Centre. 10

8. Write short notes (any ***two***) :

(a) Return on Investment

(b) Responsibility Reporting

(c) Balance scorecard

(d) Activity-based profitability analysis. 5×2=10