B/Jl/06

PG CO-XVII

POST-GRADUATE COURSE

Term End Examination — December, 2008

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 two** questions : 10×2=20

1. What do you mean by management accounting? Discuss the importance of management accounting in the present business environment. (2+8)

2. (a) State the situations when a firm may sell its products below the marginal costs.

   (b) A firm incurs losses of Rs. 10,000 when it sells goods worth Rs. 1,00,000, but earns profit of Rs. 20,000 when it sells goods worth Rs. 2,50,000.

   Find out the amount of sales required to earn a profit of Rs. 30,000. (3+7)

3. (a) What is meant by Residual Income?

   (b) Find out Economic Value Added (EVA) from the information given below.

Equity Share Capital	Rs. 10,00,000

Reserves & Surplus	Rs. 2,00,000
10% Debenture	Rs. 6,00,000
Current Liabilities	Rs. 3,00,000
EBIT	Rs. 5,00,000
Income Tax Rate	40%
Cost of Equity	15%

(3+7)

4. State the differences between standard costing and budgetary control. Explain the advantages of operating both the systems for cost control. 5+5

Group – B

Answer **any two** questions : 15×2=30

5. A firm manufactures a product using two materials–M_1 & M_2. Analyse the material cost variances from the information given below.

Standard

Material	Standard Mix	Std. price per kg
M_1	60%	Rs. 10
M_2	40%	Rs. 12

56 15 6
11 –
339 3.6
9.6

Standard loss is 10%

Actual

During July 2008, the firm produced 1000 kg of the product. The opening stock, closing stock, purchase and price of the materials were as follows.

	Opening Stock (kg)	Closing Stock (kg)	Purchase Quantity (kg)	Purchase Price per kg
M_1	200	150	1450	Rs.11·00
M_2	150	200	1175	Rs.10·50

The firm follows FIFO principle for issue of materials. (15)

6. B Ltd. Supplied the following information in respect of its three products—X, Y & Z.

(per unit)

	X	Y	Z
Direct materials (Rs.)	50	40	30
Direct labour hours	6	4	3
Direct labour rate per hour (Rs.)	4	5	7
Variable overhead (Rs.)	26	20	15
Selling price (Rs.)	120	110	80

The annual fixed overhead of the company is Rs. 1,00,000. The market survey reveals that the company may be able to sell 4000 units of X, 5,000 units of Y and 6000 units of Z in the next year.

You are required to suggest the most profitable product mix of the company for the next year if the total labour hours available be (i) 40,000 hours and (ii) 55000 hours. Show also the resultant profits for the above two situation. (10+5)

7.(a) When would you suggest using market-price-based transfer price system? 5

(b)

	Product X	Product Y
Unit produced	20	20
Material moves per Product unit	6	14
Direct labour hours/unit	870	870

Budgeted materials handling costs Rs. 1,74,000.

You are required to

(i) determine cost per unit of the products using the volume based allocation method.

(ii) determine cost per unit of the product using ABC and also comment on results. 10

P.T.O.

8. Write short notes on any three of the following : (5×3)

(a) Balanced Scorecard, (b) Master Budget, (c) Responsibility Centre (d) Zero Base Budgeting.