Post-Graduate Course

Term End Examination – 2006

M. Com.

Management Accouting

Paper - XVII

Time : Two 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 firm produces two products using same rawmaterials and labour force. The relevant cost data are given below :

	Product A Rs. per unit	Product B Rs. per unit
Rawmaterials (@ Rs. 10 per kg.)	30	20
Direct Wages (@ Rs. 5 per hour)	15	20
Variable overhead	25	30

Total Fixed Costs Rs. 30,000

Product A and B are sold in the market at Rs. 100 and Rs. 95 per unit respectively.

Maximum demand of each product in the market is 1500 units.

Recommend the most profitable product unit and find the profit when,

(a) Rawmaterials is in short-supply and maximum 4500 kgs. of rawmaterials are available.

(b) There is shortage of labour-force and maximum available of labour hours is 7500 hours. 8+7

2. Zed Ltd. manufactures a product using two types of materials, viz., Material X and Material Y. The standard cost structure of the product are given below :

	Standard Mix	Standard Price per Kg.
Material X	40%	Rs. 4
Material Y	60%	Rs. 6

The standard loss expected in processing is 20%.

During a particular month actual output was 2,500 kgs. and their costs data were as below :

	Actual Qty. Consumed	Actual Price Per Unit
Material X	1140 kgs.	Rs. 6
Material Y	1920 kgs.	Rs. 7
	3060	

Find all material variance. 15

Group B

Answer any ***one*** question. (10×1=10)

3. (a) Make out a distinction between Management Accounting and Financial Accounting.

(b) Mention the situations when management may decide to sell the products after below marginal cost. 5+5

4. A firm is currently producing 1000 units operating at 50% capacity. The goods are sold at Rs. 100 per unit. The cost incurred at the current level is as follows :

	Rs.
Direct materials	5,00,000
Direct wages	1,50,000
Factory overhead (40% fixed)	1,50,000
Administration overhead (40% variable)	1,00,000
Total	9,00,000

The firm expects that

(i) at 60% level, material cost would increase by 5% and selling price would decrease by 5%.

(ii) at 80% level, material cost would increase by 10% and selling price would decrease by 10%.

Preapare a flexible budget for 50%, 60% and 80% levels showing the profit at each level and suggest the optimum level. 10

Group C

Answer any ***one*** question. (15×1=15)

5. A manufacturing company has two divisions – P and Q. The output of P, which may be sold in the market at Rs. 300 per unit, is also used as a component by Q for its product. Q require one unit of component from P for producing every one unit of the final product which is sold in the market at Rs. 500 per unit. The budgeted production for P and Q are 3,000 units and 1,000 units respectively. The cost data for

the budgeted level of production in respect of the two divisions are as follows :

	Division P (Rs.)	**Division Q (Rs.)**
Materials (Per Unit)	100	?
Wages (Per Unit)	60	50
Variable Overhead (Per Unit)	40	30
Fixed Overhead (Per Unit)	50	40

Show the divisional profits and profit of the company in case of the following transfer pricing policies :

(i) Market Price, (ii) 110% of full cost,

(iii) Negotiated price of Rs. 290 per unit. 15

6. (a) What do you mean by Responsibility Accounting ?

(b) What is Balanced Scorecard ? Discuss in brief the different perspectives of a Balanced Scorecard. 5+10

Group D

Answer any ***one*** question. (10×1=10)

7.

	Product I	**Product II**
Production (Units)	50	100
Inspection per product line	25	5
Machine hours per unit	15	20

Total budgeted inspections costs is Rs. 33,000.

What is the inspection cost per unit under traditional system and ABC system ? 10

8. Write short notes on any **two** of the following :

(a) Activity Based Management.

(b) International Transfer Pricing.

(c) Activity Based Costing.

(d) Economic Value Added. 5+5