

Unique Paper Code	:	22417501
Name of Paper	:	Management Accounting
Name of Course	:	B.COM. (H) CBCS
Semester/ Annual	:	V
Duration	:	3 hours
Maximum Marks	:	75

**Instructions for Candidates:**

1. It is an open book examination.
2. Attempt any **four** Questions. **All** question carry equal marks.
3. Answers may be written either in English or Hindi, but the same medium should be used throughout the paper.
4. Use of simple calculator is allowed.

1. “Management accounting collect, analyzes and presents the accounting and other information in such a way as to assist the management in the creation of policy and in the day-to-day operations of an undertaking.” Elucidate.
2. The Budget manager of a company is preparing a flexible budget for the coming accounting year. The company produces a single product. The following information is provided:

Direct material costs Rs.28 per unit. Direct labour averages Rs.12.50 per hour and requires 1.60 hours to produce one unit of the product. Salesmen are paid a commission of Rs.5 per unit sold. Fixed selling and administration expenses amount to Rs.3,75,000 per year.

Manufacturing overhead has been estimated in the following amounts under given conditions of volume:

<b>Volume of production &amp; Sale (units)</b>	<b>1,20,000</b>	<b>1,50,000</b>
<b>Expenses</b>	<b>Rs.</b>	<b>Rs.</b>
Indirect materials	2,64,000	3,30,000
Indirect labour	1,50,000	1,87,500
Inspection	90,000	1,12,500
Maintenance	84,000	1,02,000
Supervision	1,98,000	2,34,000
Depreciation- plant & equipment	90,000	90,000
Engineering services	94,000	94,000
<b>Total manufacturing overhead</b>	<b>9,70,000</b>	<b>11,50,000</b>

Prepare a budget of total cost at 1,40,000 units of output.

3. SP Limited produces a single product and standard costing system is followed in the organization. The standard cost card of the product shows the following cost per unit:

Particulars	Rs.
Direct materials (10 kg. @ Rs. 4 per kg)	40
Direct labour (8 hours @ Rs. 8 per hour)	64
Variable Overhead (8 hours @ Rs. 3 per hour)	24
Fixed Overhead ( 8 hours @ Rs.3 per hour)	24

Budgeted and actual data for the third quarter of a year was as follows:

Particulars	Budgeted	Actual
Production and Sale	2,000 units	1,800 units
Direct Materials	20,000 Kg. @ Rs.4 per Kg	20,500 Kg. @ Rs.4.50 per Kg
Direct Labour	16,000 hours @Rs.8 per hour	14,800 hours @Rs.9 per hour
Variable Overheads	Rs. 96,000	Rs. 88,800
Fixed overheads	Rs. 48,000	Rs. 42,800

You are required to calculate:

- (i) Material Price Variance
- (ii) Material Usage Variance
- (iii) Labour Rate Variance
- (iv) Labour Efficiency Variance
- (v) Variable Overhead Cost Variance
- (vi) Fixed Overhead Cost Variance

4. A company is producing an identical product in two factories. The following are the details in respect of two factories:

Particulars	Factory X	Factory Y
Selling price per unit (Rs)	50	50
Variable cost per unit (Rs)	40	35
Fixed cost (Rs)	2,00,000	3,00,000
Depreciation included in the above fixed cost(Rs)	40,000	30,000

Sales in units	30,000	20,000
Production capacity in units	40,000	30,000

You are required to determine:

- (i) Break Even Point(BEP) in units for each factory individually
- (ii) Cash break even point in units for each factory individually
- (iii) BEP of the company as a whole assuming that present product mix is in sales ratio.
- (iv) Consequences on profit and BEP if product mix is changed to 2:3 while total sales in units remains the same.

5. SR Steel Company produces three grades of steel – super, good and normal. Each of these three grades of steel are high in demand and the company is able to sell whatever is produced.

The furnace operation which is part of overall process operations is a bottle-neck. The company is operating at 100% capacity. The variable conversion cost per unit is at Rs.100 per process hour. The fixed cost is Rs.48,00,000. In addition, the Cost Accountant was able to extract the following information about the three grades of steel.

Product	Super	Good	Normal
Budgeted Production (units)	6,000	6,000	6,000
Process hours per unit	12	12	10
Furnace hours per unit	6	5	4
Selling price per unit (Rs.)	3,600	3,400	3,000
Direct Materials cost per unit (Rs.)	2,100	1,900	Rs.1,720

Required:

- (i) Determine the contribution margin per unit
  - (ii) Present an analysis to management showing the relative profitability of three grades of steel, assuming furnace is a bottle-neck.
  - (iii) Management wishes to improve profitability by increasing the price of selected products. At what price should company offer super and good grades of steel so as to bring their relative profitability equal to normal grade of steel.
6. Explain the following statements:
- (i) Responsibility accounting is an important device for control.
  - (ii) Performance of a division can be measured on number of criteria.

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