USN |   |   |   |   |   |   |   |   |   |   |

08MBA32

# Third Semester MBA Degree Examination, December 2011
# Management Accounting and Control Systems

Time: 3 hrs.  Max. Marks:100

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

1 a. What is management accounting? **(03 Marks)**
b. List the differences between job costing and process costing. **(07 Marks)**
c. Discuss the various basis of classification of cost and various types of costs. **(10 Marks)**

2 a. What is a cost centre? **(03 Marks)**
b. Discuss the advantages of standard costing. **(07 Marks)**
c. For production of 10,000 electrical automatic irons, the following are the budgeted expenses:

| Particulars | Per Unit Rs. |
|---|---|
| Direct material | 60 |
| Variable overheads | 25 |
| Direct labour | 30 |
| Fixed overheads (Rs.1,50,000) | 15 |
| Variable expenses (direct) | 5 |
| Selling expenses (10% fixed) | 15 |
| Administration expenses (Rs.50,000 rigid for all levels of production) | 5 |
| Distribution expenses (20% fixed) | 5 |
| Total cost of sale per unit | 160 |

Prepare a flexible budget, for the production of 6000, 7000 and 8000 irons, showing distinctly the marginal cost and the total cost. **(10 Marks)**

3 a. What is marginal cost? **(03 Marks)**
b. List the differences between the cost control and cost reduction. **(07 Marks)**
c. From the following information, prepare a cost sheet for the year ended 31-12-2009:

| Particulars | Rs. |
|---|---|
| Stock of finished goods (1-1-2008) | 6,000 |
| Stock of raw materials (1-1-2009) | 40,000 |
| Work-in-progress (1-1-2009) | 15,000 |
| Purchase of raw materials | 4,75,000 |
| Carriage inwards | 12,500 |
| Factory rent, taxes | 7,250 |
| Other production expenses | 43,000 |
| Stock of goods (31-12-2009) | 15,000 |
| Wages | 1,75,000 |
| Works manager's salary | 30,000 |
| Factory employees salary | 60,000 |
| Power expenses | 9,500 |
| General expenses | 32,500 |
| Sales for the year | 8,60,000 |
| Stock of raw material | 50,000 |
| Work-in-progress (31-12-2009) | 10,000 |

**(10 Marks)**

Important Note : 1. On completing your answers, compulsorily draw diagonal cross lines on the remaining blank pages.
2. Any revealing of identification, appeal to evaluator and /or equations written eg, 42+8 = 50, will be treated as malpractice.

4 a. What is transfer pricing? **(03 Marks)**

b. What are the advantages of budgeting? **(07 Marks)**

c. The Modern company has four departments. A, B and C are the production departments and D is a servicing department. The actual cost for a period are as follows:

| Particulars | | Rs. |
|---|---|---|
| Indirect materials | A | 950 |
| | B | 1200 |
| | C | 200 |
| | D | 1500 |
| Indirect wages | A | 900 |
| | B | 1100 |
| | C | 300 |
| | D | 1000 |
| Rent | | 2000 |
| Repair | | 1200 |
| Depreciation | | 900 |
| Light | | 200 |
| Supervision | | 3000 |
| Insurance (on stock) | | 1000 |
| Employee insurance (Employer's liability) | | 300 |
| Power | | 1800 |

The following data are also available in respect of the four departments:

| Particulars | Departments | | | |
|---|---|---|---|---|
| | A | B | C | D |
| Area (sq. feet) | 150 | 110 | 90 | 50 |
| No. of workers | 24 | 16 | 12 | 8 |
| Total wages (Rs.) | Rs.8000 | Rs.6000 | Rs.4000 | Rs.2000 |
| Value of plant (Rs.) | Rs.24000 | Rs.18000 | Rs.12000 | Rs.6000 |
| Value of stock (Rs.) | Rs.15000 | Rs.9000 | Rs.6000 | - |

Apportion the above cost to various departments, using primary distribution. **(10 Marks)**

5 a. What is out-of-pocket cost? **(03 Marks)**

b. Briefly explain the full cost plus primary and marginal cost plus pricing methods. **(07 Marks)**

c. The finished product of a manufacturing company passes through three processes I, II & III. The normal wastage is 5%, 7% and 10% for the processes I, II and III respectively. The scrap generated out of wastage has a sale value of

I – 70 paise per unit.
II – 80 paise per unit.
III – Re. 1 per unit.

The output of each process is transferred to the next process and the finished output emerges from the process III and transferred to stock.

There was no stock of WIP in any process in a particular month. The details of cost data for the month are given below:

| Particulars | Processes | | |
|---|---|---|---|
| | I | II | III |
| Materials used (Rs.) | 1,20,000 | 40,000 | 40,000 |
| Direct labour cost (Rs.) | 80,000 | 60,000 | 60,000 |
| Production expenses (Rs.) | 40,000 | 40,000 | 28,000 |
| Output in units (actuals) | 38,000 | 34,600 | 32,000 |

Process I was fed with 40,000 units of raw input at a cost of Rs.3,20,000. Prepare the process accounts. **(10 Marks)**

6 a. Distinguish between direct and indirect cost. (03 Marks)

b. What is job costing? What are its advantages? (07 Marks)

c. From the data given below, calculate each of the three wage variances for the two departments.

| Particulars | Department A | Department B |
|---|---|---|
| Actual gross wages | Rs.2000 | Rs.1800 |
| Standard hours produced | 8000 | 6000 |
| Standard rate per hour | 0.30 | 0.35 |
| Actual hours worked | 8200 | 5800 |

(10 Marks)

7 a. What are the techniques of cost volume profit analysis? (03 Marks)

b. What is BEP? Explain its advantages. (07 Marks)

c. The information given below has been taken from the cost records of an engineering works in respect of job no. 202.

Materials Rs. 6040

Wages : Department I 80 hours @ Rs. 4 per hour

Department II 60 hours @ Rs. 3 per hour

Department III 40 hours @ Rs. 2 per hour

The overheads expenses are as follows :

Variable overheads : Department I Rs. 8000 for 4000 hours

Department II Rs. 4000 for 2000 hours

Department III Rs. 3000 for 1000 hours

Fixed expenses are estimated at Rs.30,000 for 12000 working hours.

You are required to calculate the cost of job no. 202 and calculate the price for the job to give a profit of 25% on the selling price. (10 Marks)

8 Case Study:

Q Ltd manufactures and markets a single product. The following data are available:

| Particulars | Per unit Rs. |
|---|---|
| Materials | 16 |
| Conversion cost (variable) | 12 |
| Dealers margin (10% of sales) | 4 |
| Selling price | 40 |
| Fixed cost | Rs.5 lakh |
| Present sales | 90,000 units |
| Capacity utilization | 60% |

There is stiff competition. Extra efforts are necessary to sell. Suggestions have been made for increasing sales:

i) By reducing sales price by 5%

ii) By increasing dealer's margin by 25% of existing rate.

Which of the two suggestions you would recommend, if the company desires to maintain the present profit? Give reasons. (20 Marks)

* * * * *