USN | | | | | | | | | |

10MBA32

Third Semester MBA Degree Examination, December 2012
Management Accounting and Control Systems

Time: 3 hrs. Max. Marks:100

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

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.

1 a. Distinguish between fixed budget and flexible budget. **(03 Marks)**

b. Explain the uses and limitations of standard costing. **(07 Marks)**

c. A product is completed in two processes A and B. During a particular month, the input to process A of the basic raw material was 5000 units at Rs.2 per unit. Other information for the month is as follows:

Particulars	Process A	Process B
Output (units)	4,700	4,300
Normal loss (% of Input)	5	10
Scrap value per unit (Rs.)	1	5
Direct wages (Rs.)	3,000	5,000
Direct expenses (Rs.)	9,750	9,910

Total overheads, Rs.16000 were recovered as percentage of direct wages. There were no opening or closing work-in-progress stocks. Prepare process A and process B accounts. **(10 Marks)**

2 a. What is meant by Activity-based costing? **(03 Marks)**

b. Discuss various types of costs and their usefulness in managerial decision-making. **(07 Marks)**

c. Following are the budgeted data of Atlas Ltd., for the current period: (Amt. in Rs.)

Sales			Rs. 4,50,000
Cost:	Direct material	1,00,000	
	Direct labour	50,000	
	Production overheads	1,50,000	3,00,000
	Profit		1,50,000

Budgeted labour hours for the period : 2,500
Budgeted machine hours for the period : 1,500

An enquiry has been received from a customer, for which the production department has prepared the following estimate:

Direct material	Rs. 2,500
Direct labour	Rs. 2,000
Labour hours required	80
Machine hours required	50

Calculate the overhead charges chargeable to the job by two methods:
i) Labour hour rate ii) Machine hour rate. **(10 Marks)**

3 a. What are the possible causes of material cost variance? **(03 Marks)**

b. What is management control system? How does strategic planning help in designing the management control system in a large organization? **(07 Marks)**

c. Manu ltd. manufactures a single product, the standard mix of which is as under:

Material A	60%	at Rs. 20 per kg
Material B	40%	at Rs. 10 per kg

Normal loss in production is 20% of input. Due to shortage of material A, the standard mix was changed. Actual results for March, 2011 were:

Material A	105 kg	at Rs. 20 per kg
Material B	95 kg	at Rs. 9 per kg
Input	200 kg	
Loss	35 kg	
Output	165 kg .	

Calculate: i) Material price variance ii) Material usage variance iii) Material mix variance. **(10 Marks)**

4 a. Briefly discuss how Cost-Volume-Profit analysis is useful to the management. **(03 Marks)**

b. Two competing companies Giny Ltd. and Johnny Ltd. produce and sell same type of product in the same market. For the year ended March, 2012, their forecasted profit and loss account are as follows:

	Giny Ltd.		Johnny Ltd.	
Sales (Rs.)		2,50,000		2,50,000
Less variable cost of sales	2,00,000		1,50,000	
Fixed costs	25,000	2,25,000	75,000	2,25,000
Forecasted Net Profit before tax		25,000		25,000

You are required to compute i) P/V ratio ii) Break-even sales volume iii) Also state which company will earn greater profits under low demand and high demand. **(07 Marks)**

c. From the following information, prepare a cost sheet showing the prime cost, factory cost, cost of goods produced, cost of goods sold, cost of sales and the profit per unit and total:

i) Cost of material @ Rs.13 per unit
ii) Labour cost @ Rs. 7.50 per unit
iii) Factory overheads are absorbed @ 60% of labour cost.
iv) Administration overheads are absorbed @ 20% of factory cost.
v) Selling overheads are charged @ Rs. 2.50 per unit sold.
vi) Opening stock of finished goods – 500 units @ Rs.19.75
vii) Closing stock of finished goods – 250 units
viii) Sales – 10250 units at profit of 20% on sales. **(10 Marks)**

5 a. Describe the concepts of management control and task control. **(03 Marks)**

b. List out main deficiencies of absorption costing. In what manner does variable costing overcome these deficiencies? **(07 Marks)**

c. Following are the estimated sales of a company for seven months ending 31-10-2011:

Months	Estimated sales (Units)
April 2011	12,000
May 2011	13,000
June 2011	9,000
July 2011	8,000
August 2011	10,000
September 2011	12,000
October 2011	14,000

As a matter of policy, the company maintains the closing balance of finished goods equal to 50% of the estimated sales for the next month. Prepare production budget (in units) for the half year ending 30th Sept. 2011. **(10 Marks)**

6 a. Define 'opportunity cost' and 'imputed cost'. **(03 Marks)**

b. Explain the various methods of pricing adopted by a company engaged in manufacture and sale of a product. **(07 Marks)**

c. M/s. PCP Ltd. sells its product at Rs.3 per unit. The company uses a First-in, First-out actual costing system. Following data are related to its first two years of operations:

		Year I	Year II
Unit Data:	Sales (units)	1,000	1,200
	Production (units)	1,400	1,000
Cost		(Rs.)	(Rs.)
	Variable manufacturing	700	500
	Fixed manufacturing	700	700
	Variable marketing & Administration	1,000	1,200
	Fixed marketing & Administration	400	400

You are required to prepare income statements based on
i) Variable costing and ii) absorption costing for each year. **(10 Marks)**

7 a. How does standard costing improve the control function? **(03 Marks)**

b. Discuss various tools and techniques of cost reduction. **(07 Marks)**

c. How is cost audit different from statutory audit? Discuss the advantages of cost audit management, shareholder, consumer and the Government and limitations of cost audit. **(10 Marks)**

8 Case Study:

A company produces a single product which is sold by it presently in domestic market at Rs.75 per unit. The present production and sale is 40,000 units per month representing 50% of the capacity. The cost data of the product are as under:

Variable cost per unit	Rs. 50
Fixed cost per month	Rs. 10 Lakhs

To improve profitability, the management has three proposals on hand as under:

a) To accept an export supply order for 30,000 units per month at a reduced price of Rs.60 per unit, incurring additional variable cost of Rs. 5 per unit towards export packaging.

b) To increase the domestic market sales by selling to a domestic chain store 30,000 units at Rs.55 per unit, retaining the existing sales at existing price.

c) To reduce the selling price by Rs.8 per unit. This reduction in price is expected to result in an increase in sales by 30,000 units.

Prepare a table to resent the results of the above proposals and give your comments and advise on the proposals. **(20 Marks)**

* * * * *