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08MBA32

Third Semester MBA Degree Examination, June/July 2011
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. Question 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. State the objectives of CVP analysis. **(03 Marks)**
b. What is meant by "Transfer Pricing"? Explain the types of transfer price. **(07 Marks)**
c. ITC Ltd., has prepared the budget for the production of 1 lakh units of the only commodity manufactured by it for a costing period as under:

	Rs. in lakhs
i) Raw material	2.52
ii) Direct labour	0.75
iii) Direct Expenses	0.10
iv) Works overhead (60% fixed)	2.25
v) Administrative overheads (80% fixed)	0.40
vi) Selling overhead (50% fixed)	0.20

The actual production during the period was only 60,000 units. Calculate the revised budgeted cost per unit. **(10 Marks)**

2 a. Define differential Cost. **(03 Marks)**
b. Explain the benefits of activity based costing. **(07 Marks)**
c. Assuming that the cost structure and selling prices remain the same in periods I and II find out:
i) P/V ratio
ii) B.E. sales
iii) Profit when sales are Rs. 1,00,000
iv) Sales required to earn a profit of Rs. 20,000
v) Margin of safety in period II

Period	Sales Rs.	Profit Rs.
I	1,20,000	9,000
II	1,40,000	13,000

(10 Marks)

3 a. What are the features of marginal costing? **(03 Marks)**
b. What is MBO? Explain its advantages. **(07 Marks)**
c. From the particulars given below, prepare a cash budget for the month June 2010.
i) Expected Sales: April 2010- Rs 2,00,000; May-Rs. 2,20,000; June-Rs. 1,90,000. Credit allowed to customers is two months and 50% of the sales of every month is on cash basis.
ii) Estimated Purchases: May-2010-Rs.1,20,000; June -1,10,000. 40% of the purchase of every month is on cash basis and the balance is payable next month.
iii) Rs. 2000 is payable as rent every month.
iv) Time lag in payment of overhead is half month.
v) Overhead: for May Rs. 12,000 for June Rs. 11,000.
vi) Depreciation for the year is Rs. 12,000.
vii) Interest receivable on investment during June and December Rs 3,000 each.
viii)Estimated cash balance as on 01.06.2010 is Rs 42,500 **(10 Marks)**

4 a. What is standard costing? **(03 Marks)**
b. Explain the various steps in management control system. **(07 Marks)**

c. The cost structure of a product is:

Direct materials (Per unit)	Rs. 6
Direct labour (Per unit)	Rs. 2
Variable overheads (Pre unit)	Rs. 4
Fixed overheads	Rs. 5,10,000
Sales	Rs. 50,000 units per annum.

The capital employed in fixed assets is Rs. 12 lakhs and in current assets 50% of sales. Determine the selling price per unit to earn a return of 20% on capital employed. **(10 Marks)**

5 a. Define management control and task control. **(03 Marks)**
b. What is job costing? Explain the job costing procedure. **(07 Marks)**
c. The product of a company passes through two processes A and B. In each process, normally 5% of the total weight is lost and 10% is scrap. From the following information, prepare process accounts showing cost per ton of each process.

	Process A	Process B
Materials in tons	1,000	50
Cost of material per ton	Rs. 125	Rs. 280
Wages	Rs. 28,000	Rs. 10,000
Manufacturing expenses	Rs. 8,000	Rs. 5,475
Sale price of scrap	Rs. 80 per ton	Rs. 200 per ton

(10 Marks)

6 a. What do you mean by cost allocation? **(03 Marks)**
b. Explain in detail about different types of "Cost Classifications". **(07 Marks)**
c. From the following information, compute: i) Material cost variance, ii) Material price variance, iii) Material usage variance, iv) Material mix variance and v) Material sub-usage variance.

Material	Standard Quantity (Kilos)	Standard Unit price Rs.	Total Rs.	Actual Quantity (Kilos)	Actual Unit price Rs.	Total Rs.
A	10	2	20	5	3	15
B	20	3	60	10	6	60
C	20	6	120	15	5	75
Total	50	4	200	30	5	150

(10 Marks)

7 a. Distinguish between cost audit and financial audit. **(03 Marks)**
b. Distinguish between cost control and cost reduction. Explain some of the areas where cost reduction schemes can be applied. **(07 Marks)**
c. Surya industries Ltd., has four departments. A, B and C are production departments, D is the service department. The actual expenses for a month were as follows:

Rent	Rs. 6,000
Repairs to plant	Rs. 3,600
Depreciation	Rs. 2,700
Lighting charges	Rs. 600
Supervision	Rs. 9,000
Insurance of stock	Rs. 3,000
Power	Rs. 5,400
Employees insurance	Rs. 900

The following information is also available:

	Dept A	Dept B	Dept C	Dept D
Area Sq. ft.	300	220	180	100
No. of workers	48	32	24	16
Total wages	Rs. 8,000	Rs. 6,000	Rs. 4,000	Rs. 2,000
Value of plant	Rs. 24,000	Rs. 18,000	Rs. 12,000	Rs. 6,000
Value of stock	Rs. 15,000	Rs. 9,000	Rs. 6,000	-

Apportion the costs to four departments on the most equitable method. **(10 Marks)**

8 Case study- (Compulsory)
Following information has been made available from the cost records of United Automobiles Ltd., manufacturing spare parts.

Direct materials	Per unit
X	Rs. 8
Y	Rs. 6
Direct wages	
X	24 hours at 25 paisa per hour
Y	16 hours at 25 paisa per hour
Variable overheads	150% of wages
Fixed overheads	Rs. 750
Selling price	
X	Rs. 25
Y	Rs. 20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.

a. 250 units of X and 250 units of Y.
b. 400 units of Y only.
c. 400 units of X and 100 units of Y.
d. 150 unit of X and 350 units of Y.

State which of the alternative sales mixes you would recommend to the management.
(20 Marks)

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