SET A

Unique Paper Code	:	61011306(OC)
Name of Paper	:	Management Accounting
Name of Course	:	Bachelor of Management Studies (BMS) CBCS
Semester/ Annual	:	III
Duration	:	3 hours
Maximum Marks	:	75

Instructions for Candidates:

1. It is an open book examination.
2. Attempt any **four** Questions. Allquestion carry equal marks..
3. Use of simple calculator is allowed.

1. Identify the appropriate management accounting technique being followed in the given cases and briefly explain about the same:

(i) ABC Ltd is into shoe manufacturing business. The management keeps the control through delegation of decision making authority to divisional managers. The budgeted and actual accounting data is collected and reported by each divisional manager being responsible for the costs and earnings of their division.

(ii) XYZ Ltd is surviving a tough competition in terms of price and quality of products being manufactured. The target prices so determined are on the basis of customers' expectations and competition in the market. The company intends to survive the competition through maintenance of competitive price.

(iii) RML Ltd focus on production activities in order to identify the cost of products manufactured as it ensures judicious pricing by management. It enables management to control wasted efforts and non-value added activities.

2.The following are the details of XY Paints Limited:

Particulars	Amount (Rs.)
Stock of Raw Material on 1st April 2020	1,50,000
Stock of Raw Material on 30th April, 2020	1,95,000
Direct Wages	1,10,000
Indirect Wages	5,000
Sales	5,00,000
Work in Progress on 1st April, 2020	56,000
Work in Progress on 30th April, 2020	75,000

Purchases of Raw Material	1,35,000
Factory Rent, Rates and Power	30,000
Depreciation of Plant and Machinery	7,000
Direct Expenses	3,000
Carriage Outwards	5,000
Advertisements	7,000
Office Rent and Taxes	5,000
Travellers' wages and commissions	13,000
Stock of Finished Goods on 1st April, 2020	1,00,000
Stock of Finished Goods on 30th April, 2020	62,000

Prepare a Cost Sheet.

3. Mr. X, manager of Tea Coffee Ltd., requires a Cash Budget for the period April 2021 to July 2021 (4 months) from the estimated details furnished below:

(i) Estimated Sales during 2021:

February	March	April	May	June	July	August
20,00,000	18,00,000	15,00,000	16,00,000	18,00,000	20,00,000	25,00,000

(ii) On an average 10% of the sales are cash sales. The credit sales are realised as follows: 60% of credit sales are realised in the next month and remaining 40% are en-cashed in thefollowing month.

(iii)Purchases amount to 50% of the sales of same month. Period of credit allowed by suppliers is 1 month.

(iv)Variable expenses constitute 20% of the sales and are paid in the same month itself.

(v) Fixed expense amounts to Rs 1,00,000 per month.

(vi)Interest payable on deposits amount to Rs 50,000 and are paid in the month of June

(vii) Opening Cash Balance as on 1st April, 2021 is estimatedas Rs 2,00,000

4. ABC Ltd. wants to analyse the reasons of variances in the standard and actual costs for the material cost components. They have provided the following information for you to calculate

(i) Material Cost Variance

(ii) Material Usage Variance

(iii) Material Price Variance

(iv) Material Mix Variance

(v) Material Yield Variance

Components	Standard Proportion	Standard Cost per Unit
A	50%	Rs 20
B	40%	Rs 25
C	10%	Rs 35

A standard loss of 5% is anticipated in the production. In the given period, 850 units of output were generated and the following information was obtained from the management:

Components	Actual Usage	Actual Cost per Unit
A	450	Rs 18
B	250	Rs 27
C	300	Rs 30

5. XYZ Ltd. is producing a single product and sells it for Rs 100 per unit. The unit variable cost is Rs 70 and fixed cost is Rs 6,00,000 per annum. With this data, you are required to calculate the following, treating each as independent of the other

(i) P/V ratio and break even sales (units and Rupees)
(ii) Increase in the sales required if profits are to be increased by Rs 3,00,000.
(iii)Proportionate increase/ decrease in the sales- volume (units) to offset:
(a) An increase of Rs 10 per in the variable cost
(b) A 10% increase in the selling price without affecting the existing profit quantum.
(iv) Quantum of advertisement expenditure permissible to increase the sales by Rs 2,00,000

6SR Engineering Ltd. has received a foreign order for its product requiring 50% of the factory's total capacity. The total capacity is at 10,000 units and factory is currently operating at 60% level to meet the domestic market demand. The current selling price is Rs 65 per unit while the foreign order offer is Rs 47 per unit. The total cost of production currently is as follows

Particulars	**Cost per Unit**
Direct Material	25
Direct labour	12
Variable Expense	5
Fixed Overhead	13
Total Cost	**55**

The current cost is more than the foreign offer. The company has following options:

(a) Accept the order and cut back domestic sales as necessary since the export order has to be accepted in full only.

(b) Remove the capacity constraint by installing necessary balancing equipment and also by working overtime to meet both domestic and foreign order. This will cause an increase in fixed overhead by Rs 12,000 and an additional cost for overtime work will be for Rs 20,000.

You are required to prepare a statement of costs and profits under each of the above two options and advice the management suitably.

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