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M.B.A.

(SEM - II) THEORY EXAMINATION 2017-18

Management Accounting &Control

Time: 3 Hours ***Total Marks: 70***

Note: Attempt all Sections. If require any missing data; then choose suitably.

SECTION - A

I: - **Attempt *all* questions in brief.** **2 x 7 = 14**

a. Explain the important objectives of cost accounting.
b. What do you know of Contribution? Discuss its utility.
c. What is Profit/Volume Ratio? What does it indicate?
d. Explain the term 'Budgetary Control' and mention some of its advantages.
e. Explain the steps in the fixation of standard costs.
f. What is 'Variance'? Indicate its significance to the management.
g. What is transfer price? Why is it needed?

SECTION - B

2: - Attempt any *three* of the following: **7 x 3 = 21**

a. The following data have been extracted from the Books of M/s Superior Industries Ltd for the calendar year 2017.

	Rs.		Rs.
Opening Stock of Raw Materials	25,000	Depreciation on Plant	1,500
Purchases of Raw Materials	85,000	Depreciation on Office Furniture	400
Closing Stock of Raw Materials	40,000	Salary -Office	2,500
Carriage Inward	5,000	Salary -Salesman	2,000
Direct Wages	75,000	Other Office Expenses	700
Indirect Wages	10,000	Managing Director's Remuneration	12,000
Other direct charges	15,000	Other Selling Expenses	1,000
Factory Rent & Rates	5,000	Travelling Expenses of Salesman	1,100
Office Rent & Rates	500	Carriage and Freight	1,400
Indirect consumption of materials	500	Sales	2,50,000
Other Factory Expenses	5,700	Advance Income Tax Paid	15,000
Advertisement	2,000		
Managing Director's remuneration is to be allocated in the ratio of 2:1:3 for Factory, Office and Sales departments respectively. From the above information prepare the different phases of cost and net profit.			

b. A company budgets for a production of 1, 50,000 units. The variable cost per unit is Rs.14 and fixed cost is Rs.2 per unit. The company fixes its selling price to fetch a profit of 15%

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of cost.
(i) What is break-even point?
(ii) What is profit-volume ratio?
(iii) If it reduces its selling price by 5%, how does the revised selling price affect the break-even point and P/V Ratio?
(iv) If a profit increase of 10% is desired more than the budget, what should be the sale at the reduced price?

c. A department of Tek India Company attains sales of Rs.6, 00,000 at 80% of its normal capacity. Its expenses are given below.

Selling Cost: -		Depreciation	Rs.7,500
Salaries	8% of Sales	Rent & Rates	Rs.8,750
Travelling Expenses	2% of Sales	**Distribution Cost: -**	
Saies Office	1% of Sales	Wages	Rs.15,000
General Expenses	1% of Sales	Rent	1% of Sales
Office Salaries	Rs.90,000	Other Expenses	4% of Sales
General Expenses	2% of Sales		
Draw up Flexible Administration, Selling and Distribution Costs Budget, operating at 90 %, 100%, and 110% of normal capacity.			

d. The standard cost of a certain chemical mixture is:
35% material A at Rs.25 per kg.
65% material B at Rs.36 per kg.
A standard loss of 5% is expeeted in production. During a period the following materials are used:
125 kgs. of material A at Rs.27 per kg, and
275 kgs. of material B at Rs.34 per kg.
The actual output was 365 kg.
Calculate
(i) Material Cost Variance (ii)Material Price Variance (iii) Material Mix Variance (iv) Material Yield Variance

e. Explain the concept of Activity-Based Costing. Discuss the factors infiuencing the application of Activity –Based Costing.

SECTION - C

3: - Attempt any *one* part of the following: **7 x 1 = 7**

(a) "The managerial object of management accounting is to provide data to help management plan and control operations." Discuss.

(b) "Costs may be classified in a variety of ways according to their nature and information needs of the management." Explain this statement illustrating with examples of the classification required for different purposes.

4: -Attempt any *one* part of the following: **7 x 1 = 7**

(a) "Absorption Costing obscures the total amount of fixed cost whereas Variable Costing highlights it." Comment.

(b) What is Break-even Analysis? Discuss (i) the assumptions, (ii) uses, and (iii) limitations of this technique.

5: -Attempt any *one* part of the following: **7 x 1 = 7**

(a) Define 'Budget' and 'Budgeting'. Mention the types of budgets that management of a

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big industrial concern would normally prepare.

(b) "Budgetary Control iinproves planning, aids in coordination and helps in having comprehensive control." Substantiate the above statement.

6: -Attempt any *one* part of the following: **7 x 1 = 7**

(a) Outline the primary objects of standard costing. Describe briefly its uses under each of the following heads:
(i) As a measuring rod of performance
(ii) As a basis of inventory valuation
(iii) As an aid in preparing earning budget.

(b) "The basie variances are price and usage variance." Diseuss this statement in relation to materials, labour and overheads indicating the main reasons for variations of actual costs as compared to standard costs.

7: -Attempt any *one* part of the following: **7 x 1 = 7**

(a) What do you understand by Responsibility Accounting? Discuss the salient features and steps involved in such system of accounting.

(b) Explain with illustration how cost reduction target can be determined and achieved under target costing.

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