2019

BUSINESS ADMINISTRATION — HONOURS

Twelfth Paper

(Group - B)

(Management Accounting)

Full Marks : 50

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Answer ***question no.*** **5** and ***any three*** questions from the rest.

1. (a) Distinguish between Financial Accounting and Management Accounting.

   (b) What are the limitations of Management Accounting?

   (c) What are the benefits of budgeting? 6+3+3

2. (a) Rainbow Ltd. sold goods for ₹ 30,00,000 in a year. In that year, the variable costs were ₹ 6,00,000 and fixed costs were ₹ 8,00,000. Find out —

   (i) P/V Ratio

   (ii) Break-Even Sales

   (iii) Break Even sales, if selling price was reduced by 10% and fixed cost were increased by ₹ 1,00,000.

   (iv) Margin of Safety.

   (b) What are the advantages of standard costing?

   (c) Write a note on Margin of safety. (1+1+3+1)+3+3

3. (a) What do you mean by Flexible Budgeting?

   (b) A company is drawing its production plan for the year of 2019-20 in respect of two of its products, 'Gamma' and 'Delta'. The company's policy is not to carry closing WIP at the end of any month. However, its policy is to hold a closing stock of finished goods at 50% of the anticipated quantity of sales of the succeeding month. For the year of 2019-20, the company's budgeted production is 20,000 units of 'Gamma' and 25,000 units of 'Delta'. The following is the estimated cost data :

	Gamma (₹)	Delta (₹)
Direct material per unit	50	80
Direct labour per unit	20	30
Other manufacturing expenses apportionable to each type of product based on production	2,00,000	3,75,000

The estimated units to be sold in the first 7 months of the year 2019 - 20 are as follows :

	April	May	June	July	August	September	October
Gamma	900	1100	1400	1800	2200	2200	1800
Delta	2900	2900	2500	2100	1700	1700	1900

You are required to prepare :

(i) Production Budget showing monthwise number of units to be produced.

(ii) Summarised Production Cost Budget for the half year ending 30.09.2019. 2+10

4. (a) Define 'Standard' and 'Standard Costing'.

(b) The Standard costs per unit of a product are as under :

	₹
Material cost 5 kgs. @ ₹ 10 per kg.	50
Labour cost 4 hours @ ₹ 5 per hour	20

The actual cost emerged from the business operation are as follows :

Production	5000 units
Materials consumed : 30,000 kgs @ ₹ 8/kg.	₹ 2,40,000
Wages paid : 25,000 hours @ ₹ 6 per hour	₹ 1,50,000

Calculate material and labour cost variances.

(c) Distinguish between 'Fixed' and 'Flexible' Budgets. 2+6+4

5. From the following details concerning a manufacturing enterprise, estimate the amount of working capital needed to finance an activity level of 50%. The capacity of the concern is to produce 2,40,000 units per annum :

Expected selling price	₹ 10.00 per unit
Cost of raw materials	₹ 3,00 per unit
Direct labour cost	₹ 2.50 per unit
Annual overhead at 50% activity level (including depreciation ₹ 50,000)	₹ 2,50,000

Raw materials are in stock on an average for one month. Materials are in process on an average, for two months. Finished goods are in stock, on an average, for two months. Credit allowed to debtors is for three months and that received from suppliers of raw materials is for one month. Lag in payment of wages half a month, and of overheads one month. Cash on hand and at bank 10% of net working capital. You are required to take into consideration the following assumptions :

- Assume one-fourth of the output is sold against cash.
- Debtors are taken at selling price.
- Production is carried on evenly throughout the year and expenses accrue similarly.
- Profit is expected to be 25% of credit sales. 14

6. A company is considering to purchase a new machine for ₹ 2,40,000.

Year	***Earning before depreciation and tax (₹)***
1	80,000
2	80,000
3	70,000
4	50,000
5	60,000
6	40,000

Corporate tax rate is 40%. Life of the machine is 6 years. Discount rate is 10% p.a.

Calculate :

(a) Pay Back Period

(b) Net Present Value

(c) Profitability Index.

Also comment on whether the company should purchase the machine on the basis of Net Present Value. 12