2020

BUSINESS ADMINISTRATION — HONOURS

Paper : A 303 C-7

(Management Accounting)

Full Marks : 80

The figures in the margin indicate full marks.

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

Answer ***any five*** questions.

1. Define the following : 4×4

(a) Cost Control

(b) Out-of-pocket Costs

(c) Cost Ascertainment

(d) Target Costing.

2. Distinguish between the following : 4×4

(a) Fixed and Flexible Budget.

(b) Relevant and Irrelevant Cost.

(c) Cost Unit and Cost Centre.

(d) Management Accounting and Financial Accounting.

3. A Ltd. sells 8,000 units of its products at a loss of ₹ 16,000. Variable cost per unit is ₹ 12 and total fixed cost is ₹ 48,000. 16

Calculate :

(a) P/V Ratio.

(b) The number of units to be sold to earn a profit of ₹ 10,000.

(c) The amount of profit from a sale of 20,000 units.

4. The following data of Camel Manufacturing Ltd for the month of January 2021 :

Direct Labour Cost – ₹ 17,500 (175% of works overhead);

Cost of goods sold (excluding administration overheads) – ₹ 56,000;

Selling Overheads – ₹ 2,500; Administration Overheads – ₹ 2,000;

Sales for the month– ₹ 75,000.

Inventory accounts showed the following opening and closing balances :

	As on 1st Jan (₹)	**As on 31st Jan (₹)**
Raw Materials	7,000	9,600
Work-in-progress	9,500	13,500
Finished Goods	17,600	19,000

You are required to :

(a) Compute the value of materials purchased.

(b) Prepare a Cost Statement showing the various elements of cost and also the profit earned. 16

5. From the following information supplied by Light Ltd., prepare a Cash Budget for the period from 1st September, 2020 to 31st December 2020. 16

Months	**Credit Purchase (₹)**	**Credit Sales (₹)**	**Wages (₹)**	**Selling Expenses (₹)**	**Overheads (₹)**
July	85,000	1,60,000	32,000	8,000	10,000
August	92,000	1,85,000	37,000	9,500	11,500
September	1,00,000	2,10,000	42,000	10,500	13,000
October	1,20,000	2,45,000	49,000	12,500	14,500
November	90,000	1,78,000	35,500	8,900	10,500
December	98,000	1,82,000	36,000	9,000	11,000

Additional Information :

(a) Expected cash balance on 1st September – ₹ 10,500.

(b) Period of Credit allowed to debtors – 2 months.

(c) Period of Credit allowed by creditors – 1 month.

(d) Lag in payment of wages, selling expenses and overheads – 1 month.

(e) Selling Commission @ 2% on sales is payable one month after sales.

(f) Expenditure on Machinery worth ₹ 50,000 is payable in October.

(g) Expected cash sales per month ₹ 15,000.

(h) No commission is payable on Cash Sales.

6. From the following particulars;

Quantity of Materials purchased – 3,000 units

Value of Materials purchased – ₹ 9,000

Standard Quantity of materials required per tonne of output – 30 units

Standard rate of materials – ₹ 2.50 per unit

Opening stock of material – Nil
Closing stock of material – 500 units
Output during the period – 80 tonnes.

You are required to compute :

(a) Material Cost Variance.

(b) Material Price Variance.

(c) Material Usage Variance. 16

7. Discuss the Advantages and Disadvantages of Activity Based Costing System. 16

8. The following information is supplied from the costing records of a company.

Expenditure	₹
Rent	4,000
Maintenance	2,400
Depreciation	1,800
Lighting	400
Insurance	2,000
Employer's contribution to Provident Fund	600
Energy	3,600
Supervision	6,000

	Departments			
	Spinning	**Weaving**	**Stores**	**Time Keeping**
Floor space (sq.ft)	300	220	180	100
Number of workers	48	32	24	16
Total direct wages (₹)	16,000	12,000	8,000	4,000
Cost of machinery (₹)	48,000	36,000	24,000	12,000
Stock of goods (₹)	30,000	18,000	12,000	—

Prepare a Statement showing apportionment of costs to various departments. 16

9. (a) What do you mean by transfer pricing?

(b) What is Responsibility Accounting? What are the generic steps of responsibility accounting? 6+10

10. (a) What is life-cycle costing?

(b) Find the labour variances from the information below :

Standard rate of labour per hour	₹ 50
Actual rate of labour per hour	₹ 60
Standard hours required to produce one unit of output	10 hours
Actual hours taken to produce one unit of output	8 hours
Actual output	2000 units

6+10

11. What is a budget? What are the steps of budgetary control? 4+12

12. A company incurs the following expenses to produce 1000 units of an article :

Direct Materials	₹ 30,000
Direct Labour	₹ 15,000
Power (20% fixed)	₹ 10,000
Repairs and maintenance (15% fixed)	₹ 8,000
Depreciation (40% variable)	₹ 6,000
Administrative expenses (100% fixed)	₹ 12,000

Prepare a flexible budget showing individual total expenses as well as per unit expenses at 1500 units and 2000 units. 16