

Vidya Vikas Mandal's  
\*Shree Damodar College of Commerce & Economics, Margao-Goa\*  
S Y. BBA (FS), Semester IV, End Semester Examination, April 2016  
MANAGEMENT ACCOUNTING *October*

Timing: 2 Hours

Max.Marks:60

**Instructions:**

- Figures to the right indicate maximum marks
- Start each new question on a fresh page
- Question **ONE** compulsory
- Answer any **FOUR** questions from Q2 to Q6

**Q1. Write short notes on Any Three of the following:**

(3x4 = 12)

- a. Features of Management Accounting
- b. Responsibility Accounting
- c. Marginal Costing
- d. Sales Budget and Cash budget
- e. Merits of Budgetary Control

**Q.2.** The following data relate to Samarth Ltd, you are required to prepare Cash Budget for the month of April, May and June 2016. (12)

The finance manager has made the following sales forecasts for the first five months of the coming year, commencing from 1<sup>st</sup> April 2016:

Month	Sales(Rs.)
April	40,000
May	45,000
June	55,000
July	60,000
August	50,000

**Other Data:**

- a) Debtors and creditors balance at the beginning of the year are Rs. 30,000 and Rs. 14,000 respectively. The balance of other relevant assets and liabilities are:

Opening Balance	Amount (Rs.)
Cash Balance	7,500
Stock	51,000
Accrued Sales commission	3,500

- b) 40% sales are on cash basis, credit sales are collected in the month following the sales.
- c) Cost of sales is 60% on sales.
- d) 5% commission to sales agent is paid in a month after it is earned.
- e) Inventory is kept equal to sales requirements for the next two months budgeted sales.
- f) Trade creditors are paid in the following month after purchases.
- g) Fixed costs are Rs. 5,000 per month including Rs. 2,000 depreciation.



Q. 3. The standard material cost to produce one tonne of chemical X is:

- 300 kg of material A @ Rs. 10 per kg.
- 400 kg of material B @ Rs. 5 per kg.
- 500 kg of material C @ Rs. 6 per kg.
- Loss is 20,000 kg.

During a period, 100 tonnes of chemical X were produced from the usage of:

- 35 tonnes of material A at a cost of Rs. 9,000 per tonne
- 42 tonnes of material B at a cost of Rs. 6,000 per tonne
- 53 tonnes of material C at a cost of Rs. 7,000 per tonne
- Loss is 30,000 kg.

**Calculate:** Material Cost Variance, Material Price Variance, Material Usage Variance, Material Mix Variance and Material Yield Variance. (12)

Q.4. A department of Shanta Company attains sales of Rs. 6, 00,000 at 80% of its normal capacity. The expenses are given below: (12)

Particulars	Amount (Rs.)
<b>Administration costs:</b>	
Office Salaries	90,000
General Expenses	2% of sales
Depreciation	7,500
Rent and Rates	8,750
<b>Selling Costs:</b>	
Salaries	8% of sales
Travelling Expenses	2% of sales
Sales office	1% of sales
General Expenses	1% of sales
<b>Distribution costs:</b>	
Wages	15,000
Rent	1% of sales
Other Expenses	4% of sales

Draw up Flexible Budget, operating at 80 per cent, 90 per cent, 100 per cent and 110 per cent of normal capacity.

Q.5. Costa India Ltd. manufactures a particular product, the standard direct labour hour cost of which is Rs. 120 per unit whose manufacture involves the following: (12)

Grade of Workers	Hours	Rate (Rs.)	Amount (Rs.)
A	30	2	60
B	20	3	60
<b>TOTAL</b>	<b>50</b>		<b>120</b>



During a period, 100 units of the product were produced, the actual labour cost of which was as follows:

Grade of Workers	Hours	Rate (Rs.)	Amount (Rs.)
A	3,200	1.50	4,800
B	1,900	4.00	7,600
<b>TOTAL</b>	<b>5,100</b>		<b>12,400</b>

**Calculate:**

- Labour Cost Variance.
- Labour Rate Variance.
- Labour Efficiency Variance.
- Labour Mix Variance.
- Labour Revised Efficiency Variance.

**Q.6. a.** Present the following information to show to the management:-

- The marginal product cost and the contribution per unit.
- The total contribution and profits resulting from each of the following sales mixture.

Particulars	Product A	Product B
Direct Material per unit	10	9
Direct Wages per unit	3	2
Sales price	20	15

- Fixed cost is Rs.800
- Variable costs are allotted to products at 100% of direct wages.

**Sales Mixture:-**

- 1000 units of Product A & 2000 units of product B
- 1500 units of Product A & 1500 units of product B
- 2000 units of Product A & 1000 units of product B

**Which Product mix is most profitable?**

**(06)**

**b.** Attempt the following:

**(06)**

A manufacturing company finds that while the cost of making a component part is Rs.10, the same is available in the market at Rs.9, with an assurance of continuous supply.

- Give your suggestion whether to make or buy this component part.
- Give also your views in case the supplier reduces the price from Rs. 9 to Rs.8.

The cost information is as under:

Particulars	Amount(Rs.)
Material	3.50
Direct Labour	4.00
Other Variable expenses	1.00
Fixed Expenses	1.50

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