

MGT-27 MANGEMENT ACCOUNTING

Time: 3 Hours

Max. Marks: 60

Note: Answer all five questions.

Q.1. A contribution statement for the Lajolaa Inn. Is given below

	(₹)
Revenue	1,50,000
Variable expenses	90,000
Contribution	60,000
Less: Fixed expenses	45,000
Net Income	15,000

Required:

1. Suppose the hotels revenue decline by 20%, Calculate the reduced net income.
2. What are the hotels operating factor when revenue is 1,50,000?
3. If hotels volume of activity increases by 25% and fixed expenses increase by 50%. Then how much is the profit.

Q.2. Pinellas Pillow Company's planned production for the year ended was 10,000 units. This production level was achieved, but only 9,000 units were sold. Other data follows:

	(₹)
Direct Material used	80,000
Direct Labour incurred	40,000
Fixed Manufacturing Overhead	50,000
Variable Manufacturing Overhead	24,000
Fixed selling and administrative expenses	60,000
Variable Selling and Administrative Expenses	9,000
Finished-goods inventory, January 1	None

There is no work- in progress inventories at the beginning or end of the year.

Required:

1. What would be Pinellas Pillows Co.'s finished- goods inventory cost on December 31 under the variable- costing method?
2. Which costing method, absorption or variable costing, would show a higher operating income for the year? By what amount?

Q.3. Differentiate between

- a) Traditional budgeting and zero-based budgeting
- b) Marginal costing and absorption Costing

Q.4. The following quarterly results are expected by XYZ Ltd. Next year. (₹ in thousands)

	Quarter			
	1	2	3	4
Sales	7500	10,500	18,000	10,500
Cash Payment:				
Production Costs	7000	10,000	8,000	8,500
Selling, Administrative and other costs	1,000	2,000	2,900	1,600
Purchases of Plant and other fixed assets	100	1,100	2,100	2,100

Debtors at the end of a quarter are one-third of sales for the quarter. The opening balance of debtors is ₹30,00,000. Cash in hand at the beginning of the year is ₹ 6,50,000 and the desired minimum balance is ₹5,00,000. Borrowings are made in the multiple of ₹10,000 at the beginning of the quarter in which need will occur and are repaid at the end of the quarter. Interest charges may be ignored.

You are required to prepare:

1. Cash budget by quarter for the year, and
2. State the amount of loan outstanding at the end of the year.

Q.5. Lansing camera company has received a special order for photographic equipment it does not normally produce. The company has excess capacity, and the order could be manufactured without reducing production of the firm's regular products. Discuss the relevance of each of the following items in computing the costs of the special order.

1. Equipment to be used in producing the order has a book value of ₹2,000. The equipment has no other use for the company. If the order is not accepted, the equipment will be sold for ₹1,500. If the equipment is used in producing the order, it can be sold in three months for ₹800.
2. If the special order is accepted, the operation will require some of the storage space in the company's plant. If the space is used for this purpose, the company will rent storage space temporarily in a nearby warehouse at a cost of ₹18,000. The building depreciation allocated to the storage space to be used in producing the special order is ₹12,000.
3. If the special order is accepted, it will require a subassembly. Lansing Camera can purchase the subassembly for ₹ 24 per unit from an outside supplier or make it for ₹ 30 per unit. The ₹ 30 cost per unit was determined as follows:

	(₹)
Direct Material	10
Direct Labour	6
Variable Overhead	6
Allocated fixed overhead	8
Total unit cost of subassembly	8