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II SEMESTER MBA

END SEMESTER EXAMINATION ***May/June-2019***

PAPER CODE MGT 27 **TITLE OF PAPER- Management Accounting**

Time: 3:00 Hours *Max. Marks : 60*

Note : Attempt any ***Four*** questions.
All questions carry equal marks.
Use of calculator is allowed.

Q.1. Super Toys Ltd manufactures low-range mechanical toys. Fixed costs amount to ₹27,00,000 per year. Variable costs per toy are ₹ 230, and the average price per toy is ₹500.

a. How many toys must Super Toys sell to break-even?
b. If Super Toys sells 16,000 toys in a year, what is the operating income?
c. If Super Toys' variable costs decrease to ₹ 200 per toy while the price and Fixed costs remain unchanged, what is the new break-even point?

Q.2. Sagar Ltd. has outsourced the manufacturing of 20,000 units of a particular spare part at the rate of ₹ 35 per unit. There is a proposal that the product be produced in the factory itself. For this purpose, an additional machine costing ₹ 5,00,000 with a capacity of 30,000 units and a life of 5 years will be required. The firm will have to acquire funds for this machinery and interest payable on the loan is 18% p.a. A foreman with a monthly salary of ₹ 20,000 per month will have to be engaged. The cost of materials required will be ₹ 6 per unit and wages ₹ 4.50 per unit. The variable overheads are 150% of labour and fixed expenses will be recovered @ 200% of wages.
The existing Fixed costs of the firm are ₹ 1,00,000.
Advise the firm on whether to accept the proposal or not.

P.T.O.

Q.3. Deluxe Company produces a popular candy bar called Shiva. The candy is produced in India and exported to the United States. Recently the company adopted the following standards for one 5-ounce bar of the candy:

Direct material (5.5 ounce @ ₹ 40).	=	₹ 220
Direct labour (0.05 hour @ ₹ 26).	=	₹ 1.30
Standard Prime Cost	=	₹ 221.30

During the first week of operation, the company experienced the following actual results:

- Bars produced : 1,00,000
- Ounces of Direct material purchased : 5,70,000 ounces @ ₹ 45
- There are no beginning and ending inventories of direct material
- Direct labour : 5200 hours at ₹ 25.50

a) Compute price and usage variance for direct material

b) Compute the rate variance and the efficiency variance for direct labour.

Q.4. A department attains a sale of ₹ 60,00,000 at 80% of its normal capacity and its expenses are as follows:

Administrative expenses	Amount (₹)	Selling Costs	Amount (₹)
Office salaries	9,00,000	Salaries	8% of sales
General expenses	2% of sales	Travelling Expenses	2% of sales
Depreciation	75,000	Sales office expenses	1% of sales
Rates and taxes	87,500	General Expenses	1% of sales

The distribution costs are wages- ₹ 1,50,000; Rent-1% of sales; and other expenses 4% of sales.

Draw up a flexible administration overhead, selling and distribution overhead costs budget, operating at 80%, 100% and 110% of normal capacity.

P.T.O.

Q.5. Riverdale Printing firm has following data relating to one product, *Art Of Design* Book and the ABC cost pools:

Annual Production 40000 units

Direct Material per unit ₹ 37

Direct Labour per unit ₹ 8

Manufacturing Overhead cost pools:

Cost Pool	Cost(₹)	Cost Driver	All Books	Art of Design
Material ordering	840000	No. of purchase orders	120000 orders	1200
Material Inspection	525000	No. of receiving report.	2100 receiving reports	315
Equipment setup	2500000	No. of setups	125 setups	1
Quality Control	1000000	No. of inspections	5000 inspections	500
Other	25000000	Direct Labour Cost	₹ 12500000	DirectLabour ₹320000

(a)Calculate the overhead rate per unit of activity for each of the five cost pools.

(b)Calculate the total overhead assigned to the production of the *Art Of Design.*

Q.6. Write short notes on (any three)-

(a)Zero based budgeting

(b)Responsibility accounting

(c)Role of Management accountant in an organisation

(d)Sunk cost, Semi-variable cost and Irrelevant cost

(e)Fixed and flexible budget