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Question Paper Code: CMB405

MBA III Semester End Examinations (Regular) - November, 2018

Regulation: .–R16

Stratgic Management Accounting

(MBA)

Time: 3 Hours **Max Marks: 70**

Answer ONE Question from each Unit
All Questions Carry Equal Marks
All parts of the question must be answered in one place only

UNIT – I

1. (a) Limitations of Financial Accounting have made the Management realize the importance of Cost Accounting' Comment. [7M]

   (b) PH Ltd. is a manufacturing company having three production departments, A, B and C and two service departments X and Y. The following is the budget for March 2004. [7M]

Table 1

	Total (Rs.)	A (Rs.)	B (Rs.)	C (Rs.)	X (Rs.)	Y (Rs.)
Direct Material		1000	2000	4000	2000	1000
Direct Wages		5000	2000	8000	1000	2000
Factory rent	4000					
Power	2500					
Depreciation	1000					
Other overheads	9000					
Additional information						
Area (Sq.ft)		500	250	500	250	500
Capital value of assets (Rs. In lakhs)		20	40	20	10	10
Machine hours		1000	2000	4000	1000	1000
Horse power of machines		50	40	20	15	25

A technical assessment of the apportionment of expenses of service departments is as under:
Required: A statement showing distribution of overheads to various departments. Also show the redistribution of service departments expenses to production departments. Use repeated distribution method.

Table 2

	A	B	C	X	Y
	%	%	%	%	%
Service Department X	45	15	30	-	10
Service Department Y	60	35	-	5	-

2. (a) Briefly explain different methods of costing. [7M]
   (b) Compute Machine Hour Rate from the following: [7M]
      i. Working hours for a month 160 hours
      ii. Cost of machine Rs.12000
      iii. Estimated scrap value Rs. 3000
      iv. Estimated working life of the machine 10000 hours
      v. Repairs and maintenance per month Rs.120
      vi. Standing charges per month Rs.40
      vii. Power used 5 units per hour
      viii. Power per unit 10 paise.

UNIT – II

3. (a) The following extracts of costing information relate to commodity of X for the year ending 31.12.2013
[7M]

Table 3

Purchase of Raw materials	Rs.6500	Direct wages	Rs.5000
Rent, Rates and Insurance	Rs.2000	Carriage inwards	Rs.100
Stock(1.1.2013) Raw materials Finished Goods-200 units	 Rs1000 Rs.800	Stock(31.12.2013) Raw materials Finished Goods-400 units	 Rs.1100
Cost of Factory supervision	Rs.400	Sale of Finished Goods	Rs.15000

Advertising and selling cost is 40 paise per ton sold, 3000 tons of the commodity were sold during the year. Prepare a Cost sheet. [7M]
   (b) What is fixed cost? What is its role in management decision making?

4. (a) 'What is Process costing? Explain the Advantages & Disadvantages of process costing. [7M]
   (b) Rama industries Ltd., has three processes through which its products pass for becoming a finished product. There is a loss of 2% in each process on the total weight put in and 10% is scrap in all processes. The scrap realises Rs.5 per ton from process 1, Rs.7 per ton from process 2 and Rs. 10 per ton from process 3. The detailed information of various processes is as follows:
[7M]
Prepare process cost accounts showing cost per ton at each process.

Table 4

Particulars	Process 1		Process 2		Process 3	
Passed to next process		60%		50%		
Sent to warehouse for sale		40%		50%		100%
	Rs.	Tons	Rs.	Tons	Rs.	Tons
Raw Materials	150000	500	24480	136	7200	24
Labour cost	27500		20600		15000	
General expenses	12500		9200		5075	

UNIT – III

5. (a) Define break even analysis. Describe the advantages of break even analysis. [7M]
   (b) Following information has been made available from the cost records of United Automobiles Ltd., manufacturing spare parts. [7M]

Table 5

Direct Materials	Per Unit
X	Rs.8
Y	Rs.6
Direct Wages	
X	24hours at 25 paise per hour
Y	16 hours at 25 paise per hour
Variable overheads	150% of wages
Fixed Overheads	Rs.750
Selling price	
X	Rs.25
Y	Rs.20

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period
i. 250 units of X and 250 units of Y
ii. 400 units of Y only
iii. 400 units of X and 100 units of Y
iv. 150 units of X and 350 units of Y
State which of the alternative sales mixes you would recommend to the management.

6. (a) "Marginal costing is essentially a technique of cost analysis and cost presentation" Discuss the statement with reference to the merits and limitations of marginal costing. [7M]

(b) The following are the data related to XYZ Co.,
Normal capacity = 40000 units per month.
Variable cost per unit Rs.6
Actual production = 44000 units
Sales =40000 units Rs. 15 per unit
Fixed manufacturing overheads= Rs.100000 per month or Rs. 2.50 per unit normal capacity.
Other fixed expenses = Rs. 240000 per month
Compute Net profit under absorption costing.

[7M]

UNIT – IV

7. (a) Explain in detail the classification of budgets according to Functions and flexibility [7M]
(b) The expenses budget for production of 10000 units in a factory is given below: [7M]

Table 6

Particulars	Per unit
Materials	Rs.70
Labour	Rs.25
Variable Overheads	Rs.20
Fixed Overheads	Rs. 10(Rs.100000 fixed)
Direct Variable Expenses	Rs.5
Selling Expenses	Rs.13(10% fixed)
Distribution Expenses	Rs.7 (20% fixed)
Administrative Expenses	Rs.5 (Rs. 50000 fixed)
Total	Rs.155

Prepare a flexible budget for production of 6000 and 8000 units. Fixed Overheads and Administrative expenses are fixed for all levels of production.

8. (a) Briefly discuss the advantages of Budgetary Control. [7M]
(b) Pranav engineering company ltd. manufactures product Z. An estimated of the number of units expected to be sold in the first seven months of 2002 is given below:

Table 7

Months	Jan	Feb	march	April	may	June	July
Sales (units)	600	800	1000	1200	1200	1000	1500

[7M]

It is anticipated that, there will be no work-in progress at the of any month and finished units equal to half the anticipated sales for the next month will be in stock at the end of the each month (including December 2001). You are required to prepare a production budget showing the number of units to be manufactured each month from January to June 2002.

UNIT – V

9. (a) The standard material required manufacture one unit of product X is 10kgs and the standard price per kg of material is Rs. 25. He cost accounts records, however, reveal that 11,500kgs of material costing 2,76,000 were used for manufacturing 1,000units of product X. calculate material Cost variances, Material price variance and Material usage variance. [7M]

(b) Explain the different stages of standard costing system. [7M]

10. (a) Form the following particulars, calculate all material variances. [7M]

Table 8

Material	Standard		Actual	
	Qty in kg	Price in Rs.	Qty in kg	Price in Rs.
A	10	8	10	7
B	8	6	9	7
C	4	12	5	11
	22		24	

(b) Explain the features, merits and limitations of Standard Costing. [7M]