

R17
Code No: 743AQ
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examinations, December - 2019
STRATEGIC MANAGEMENT ACCOUNTING
Time: 3hours
Max.Marks:75
Note: This question paper contains two parts A and B.

Part A is compulsory which carries 25 marks. Answer all questions in Part A. Part B consists of 5 Units. Answer any one full question from each unit. Each question carries 10 marks and may have a, b, c as sub questions.

PART - A
5 × 5Marks = 25

- 1.a) What are the different classification of costing? [5]
- b) How would you treat abnormal gain? [5]
- c) What are the features of marginal costing? [5]
- d) What are the assumptions of break-even analysis? What are its uses? [5]
- e) What are the objectives of budgetary control system? [5]

PART - B
5 × 10 Marks = 50

2. The following inventory data relate to a company:

Particulars	Beginning inventory in Rs.	Ending inventory in Rs.
Finished goods	1,10,000	95,000
Work-in-progress	70,000	80,000
Raw material	90,000	95,000

Additional information:-

Cost of goods available for sale Rs. 6,84,000

Total goods processed during the period Rs. 1,67,000

Direct material Rs. 1,93,000

Requirement:

- a) determine raw material purchases
- b) determine the direct labour cost incurred
- c) determine the cost of goods sold.

[10]

OR

- 3.a) What do you understand by direct material? What is indirect material? Give examples.
- b) For manufacturing aluminum ingot, the cost of basic raw material, bauxite is Rs. 40 per ton of aluminum whereas the electricity cost for procuring is Rs. 1,000 per ton. Some people therefore consider electricity as the raw material for aluminum. Would you agree? Justify your answer. [5+5]

- 4.a) In a factory two types of radios are manufactured, Orient and Classic models. From the following particulars, prepare a statement showing cost and profit per radio sold. There is no opening or closing stock.

Particulars	Orient (Rs.)	Classic (Rs.)
Materials	27,300	1,08,680
labour	15,600	62,920

Works cost charged at 80% on labour and office on-cost is taken at 15% on works on-cost. The selling price of both radios is Rs. 1,000. 78 orient radios and 286 classic radios were sold. Find out profit as per financial accounts assuming that the actual works expenses amounted to Rs.64,000 and office expenses totaled Rs.46,800/.

- b) What do you understand by equivalent production? [7+3]

OR

5. A company produces three products A,B and C from a joint process. Relevant costs and other data are given below:

Particulars	Joint process Rs.	Product A, Rs.	Product B, Rs.	Product C, Rs.
Materials	20,000	1,500	3,500	2,000
Labour	8,000	1,000	1,000	1,500
Expense	4,000	500	1,000	500
Total	32,000	3,000	5,500	4,000

particulars	Product A	Product B	Product C
Sales value (Rs.)	10,000	25,000	15,000
Selling and distribution expenses (as percentage of sales value)	20%	20%	20%
Estimated net profit (as % of sales value)	20%	10%	20%

Prepare a statement showing the apportionment of joint costs over the different products, stating clearly the reasons for the basis adopted. [10]

6. XYZ Co. Ltd. currently operates a single production shift. The operating results of the company for the year just ended show the following:

	Rs.	Rs.
Sales (10,000 units)		3,60,000
Direct materials	1,20,000	
Direct labour	1,00,000	
Variable overheads	20,000	2,40,000
Contribution		1,20,000
Fixed overheads		90,000
Profit		30,000

The company is planning for the activity of the next year. Sales demand exists for an extra 6,000 units (at the existing sales price) which could be made in a second shift. The labour costs in the second shift would be the same as in the first shift plus a second-shift premium. The second shift is paid at time-and-a-quarter. Additional fixed overheads of Rs. 10,000 would be incurred, but a bulk purchase discount of 5% would be obtained on all quantities of material bought. Should the second shift be opened up? [10]

OR

- 7.a) A company which producing different brands of toilet soaps is considering reducing the price of one of its brands as it is possible to reduce cost if volume could be increased. What are the special points to be considered before effecting reduction in price?
- b) What are the areas of management decisions opened up by the application of marginal costing method? [5+5]
8. A Ltd. maintains, a margin of safety of 37.5% with an overall contribution to sales ratio of 40%. Its fixed costs amount to Rs. 5 lakhs.
Calculate the following:
- Break-even sales
 - Total sales
 - Total variable costs
 - Current profit
 - New margin of safety if the sales value is increased by 7.5%. [10]

OR

- 9.a) Following is the statement cost and sales:
- | | |
|----------------|--------------|
| Fixed cost | Rs. 1,80,000 |
| Variable costs | Rs. 2,80,000 |
| Sales | Rs. 4,20,000 |
- Determine how much sales should be increased in order to reach the breakeven point.
- b) Distinguish between break-even chart and profit volume chart. [5+5]
- 10.a) What is zero-based budgeting? What are the advantages of zero-based budgeting?
- b) What are the steps in installation of budgetary control system? [5+5]

OR

11. The expenses for budgeted production of 10,000 units in a factory are given below:

Particulars	Per unit (Rs.)
Materials	70
Labour	25
Variable overhead	20
Fixed overhead (Rs.1,00,000)	10
Variable expenses (direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses (Rs.50,000)	5
Total cost per unit(to make and sell)	155

Prepare a budget for production of a

- 8000 units
- 6000 units and
- Indicate cost per unit at both the levels. [10]

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