## Code No: 723AG <br> <br> JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD <br> <br> JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD MBA III Semester Examinations, January-2018 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 $\mathrm{a}, \mathrm{b}, \mathrm{c}$ as sub questions.

## PART - A

$5 \times 5$ Marks $=25$
1.a) What are the benefits of Activity Based Costing?
b) What are the different methods of valuing By-products?
c) With what criteria, managements can think of diversifying their products?
d) What is the role of 'Contribution' while taking managerial decisions?
e) How do you compute Material Yield Variance?

## PART - B $5 \times 10$ Marks $=50$

2. Make a comparative statement showing the distinction between Financial Accounting and Management Accounting.

OR
3. A company has three production departments $A, B$, and $C$ and two service departments $X$ and Y . The expenses incurred by them during a month are

| A | Rs.80,000 | X Rs.23,400 |
| :---: | :---: | :---: |
| B | 70,000 | R. 30,000 |
| C | 50,000 | ---- |

The expenses of service departments are apportioned to production departments on the following basis

|  | A | B | C | X | Y |
| :--- | :--- | :--- | :--- | :--- | :--- |
| Expenses of X | $20 \%$ | $40 \%$ | $30 \%$ | ---- | $10 \%$ |
| Expenses of Y | $40 \%$ | $20 \%$ | $20 \%$ | $20 \%$ | --- |

Show clearly as to how expenses of X and Y Departments would be apportioned to A, B and C Departments.
4. The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process, $5 \%$ of total weight is lost and $10 \%$ is scrap, which from Processes A and B realizes Rs. 80 per tonne and Rs. 200 per tonne respectively.
The following are the figures relating to both the processes:

|  | Process A | Process B |
| :--- | :---: | :---: |
| Materials (Tonnes) | 1,000 | 70 |
| Cost of Materials (Rs./tonne) | 125 | 200 |
| Wages (Rs..) | 28,000 | 10,000 |
| Manufacturing expenses (Rs.) | 8,000 | 5,250 |
| Output (tonnes) | 830 | 780 |

Prepare the Process cost account showing cost per tone of each process. There was no stock or work in process in any process.

## OR

5. A cycle manufacturing company requires to quote for a contract for the supply of 500 bicycles on $31^{\text {st }}$ March. 2017. From the following details, prepare a statement showing the price to be quoted to give the same $\%$ of net profit on turnover as was realized during the previous six months.
Stock of Materials on $1^{\text {st }}$ July, 2016 Rs.50,000
Stock of materials on31st December, 2016 Rs.7,000
Purchase of materials during 6 months to $31^{\text {st }}$ December, 2016 Rs. 75,000
Factory wages Rs.1,50,000
Indirect expenses Rs. 25,000
Sales Rs.2,70,000
Completed stock in hand on $1^{\text {st }}$ July, 2016 Nil
Completed stock in hand on $31^{\text {st }}$ December Rs.50,000
The number of bicycles manufactured during six months was 2,000 , including those sold and those in stock at the end of the period. The size of the bicycles and also the quality remain unchanged. However with effect from $1^{\text {st }}$ January, 2017, wages were increased by $10 \%$ and that of materials by $15 \%$.
6. An engineering company manufactures four components, namely $\mathrm{A}, \mathrm{B}, \mathrm{C}$ and D , the cost particulars of which are given below:

|  | A <br> (Rs.) | $\mathbf{B}$ <br> (Rs.) | C <br> (Rs.) | D (Rs.) |
| :--- | :---: | :---: | :---: | :---: |
| Direct Materials | 80 | 100 | 100 | 120 |
| Direct Labour | 20 | 25 | 25 | 30 |
| Variable overhead | 10 | 12 | 15 | 10 |
| Fixed overhead | 15 | 23 | 20 | 20 |
|  | $\mathbf{1 2 5}$ | $\mathbf{1 6 0}$ | $\mathbf{1 6 0}$ | $\mathbf{1 8 0}$ |
| Output per Machine-hour <br> (Units) | 4 | 2 | 3 | 3 |

The key factor is shortage of machine capacity. You are required to advise the Management as to whether they should continue to produce all or some of these components (which are in its main product) or they should buy them from a supplier who has quoted the following prices:

$$
\begin{equation*}
\text { A;Rs.115; B:Rs.175; C:Rs.135; and D:Rs. } 185 . \tag{10}
\end{equation*}
$$

## OR

7. The Directors of a company are considering the sales budget for the next budget period. You are required to present to the Board, a statement showing marginal cost of each product and also to recommend which of the following sales mixes should be adopted:
(a) 900 units of X and 600 units of Y ;
(b) 1,800 units of X only;
(c) 1,200 units of X and 400 units of Y ;
(d) 1,200 units of Y only.

You are given the following information:

|  | Product X | Product Y |
| :--- | :--- | :--- |
| Direct Materials per unit | Rs.20 | Rs.25 |
| Direct labour @ Rs.5.00 per <br> Hour | 20 Hours | 30 Hours |
| Selling price | Rs.300 | Rs.500 |

Overheads: Fixed:Rs.10,000 per annum and Variable:100\% of labour.
8. There are two similar plants functioning under the same management. The management desires to merge these two plants. The following particulars are available:

|  | Factory I | Factory II |
| :--- | :--- | :--- |
| Capacity operation | $100 \%$ | $60 \%$ |
| Sales | $3,00,00,000$ | $1,20,00,000$ |
| Variable costs | $2,00,00,000$ | $90,00,000$ |
| Fixed costs | $40,00,000$ | $20,00,000$ |

You are required to calculate (a) capacity of the merged plant to be operated for the purpose of break even, and (b) the profitability on working at $75 \%$ of the merged capacity.

## OR

9. What are the essentials of a successful Inter firm comparison? How can it benefit the Management? What are its limitations?
10. A toy manufacturing company manufactures two types of toys, namely Sindhu and Bindu and sells them in Andhra Pradesh and Telangana markets. The following information is made available for the current year:

| Market | Types | Budgeted sales | Actual sales |
| :---: | :---: | :---: | :---: |
| Andhra Pradesh | Sindhu <br> Bindu | 400 pieces @ Rs. 9 each <br> 300 pieces @Rs. 21 each | 500 pieces @ Rs. 9 each <br> 200 pieces @ Rs. 21 each |
| Telangana | Sindhu <br> Bindu | 600 pieces @ Rs. 9 each 500 pieces @ Rs. 21 each | 700 pieces @ Rs. 9 each 400 pieces @ Rs. 21 each |

Market study reveals that toy Sindhu is popular and it is underpriced. It is observed that if its price is increased by Re.1, it will find a readymade market. On the other hand, Bindu is overpriced and market could absorb more sales if its price is reduced to Rs.20. The management has agreed to give effect to the above changes.
On the above basis, the following estimates have been prepared by the Sales Manager:
With the help of an intensive sales campaign, the following additional sales above estimated sales are possible:

| Product | Andhra Pradesh | Telangana |
| :--- | :--- | :--- |
| Sindhu | 60 pieces | 70 pieces |
| Bindu | 40 pieces | 50 pieces |

You are required to prepare sales budget.

## OR

11. The standard labour composition and the actual labour composition engaged in 10 weeks for a job are as under:

Standard Actual

| Category of <br> workers | No. of workers | Weekly wage <br> rate/worker | No. of workers | Weekly wage <br> rate/worker |
| :--- | :--- | :--- | :--- | :--- |
| Grade A | 40 | Rs. 80 | 50 | Rs.70 |
| Grade B | 50 | Rs.70 | 60 | Rs.75 |
| Grade C | 30 | Rs. 50 | 10 | Rs.60 |

The work is actually completed in 12 weeks. Calculate various labour variances.

