

**R15**
**Code No: 723AG**
**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 a, b, c as sub questions.

**PART - A**
**5 × 5 Marks = 25**

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

**PART - B**
**5 ×10 Marks = 50**

2. Make a comparative statement showing the distinction between Financial Accounting and Management Accounting. [10]

**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	Y	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. [10]

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. [10]

**OR**

5. A cycle manufacturing company requires to quote for a contract for the supply of 500 bicycles on 31<sup>st</sup> 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<sup>st</sup> July, 2016                      Rs.50,000  
 Stock of materials on 31<sup>st</sup> December, 2016              Rs.7,000  
 Purchase of materials during 6 months to 31<sup>st</sup> 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<sup>st</sup> July, 2016              Nil  
 Completed stock in hand on 31<sup>st</sup> 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<sup>st</sup> January, 2017, wages were increased by 10% and that of materials by 15%. [10]

6. An engineering company manufactures four components, namely A, B, C and D, the cost particulars of which are given below:

	<b>A (Rs.)</b>	<b>B (Rs.)</b>	<b>C (Rs.)</b>	<b>D (Rs.)</b>
Direct Materials	80	100	100	120
Direct Labour	20	25	25	30
Variable overhead	10	12	15	10
Fixed overhead	15	23	20	20
	<b>125</b>	<b>160</b>	<b>160</b>	<b>180</b>
Output per Machine-hour (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:

A:Rs.115; B:Rs.175; C:Rs.135; and D:Rs.185. [10]

**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:

	<b>Product X</b>	<b>Product Y</b>
Direct Materials per unit	Rs.20	Rs.25
Direct labour @ Rs.5.00 per Hour	20 Hours	30 Hours
Selling price	Rs.300	Rs.500

Overheads: Fixed:Rs.10,000 per annum and Variable:100% of labour. [10]

8. There are two similar plants functioning under the same management. The management desires to merge these two plants. The following particulars are available: [10]

	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]
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	400 pieces @ Rs.9 each	500 pieces @ Rs.9 each
	Bindu	300 pieces @Rs.21 each	200 pieces @ Rs.21 each
Telangana	Sindhu	600 pieces @ Rs.9 each	700 pieces @ Rs.9 each
	Bindu	500 pieces @ Rs.21 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. [10]

**OR**

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

Category of workers	Standard		Actual	
	No. of workers	Weekly wage rate/worker	No. of workers	Weekly wage 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.

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