

R15
Code No: 723AG
JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD
MBA III Semester Examinations, June/July-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) Give the breakup of a cost sheet with as many details as possible. [5]
- b) What is the formula for computing the value of Abnormal loss in process costing? [5]
- c) How do Managements make use of limiting factor of an input while taking output Decisions? [5]
- d) Represent Margin of safety graphically with necessary notations. [5]
- e) How are Labour Mix sub variances computed? [5]

PART - B
5 × 10 Marks = 50

2. Explain in detail the role of a Management Accountant while taking strategic decisions by the Top Management. [10]

OR

3. The following information is provided to you from costing records of a company: [10]

Lighting	Rs.200	Supervision	Rs.3,000
Rent	2,000	Insurance	1,000
Maintenance	1,200	Employer's contribution to PF	300
Depreciation	900	Energy	1,800

The following statement shows Department wise data during a period

	A	B	C	D
Floor space (Sq.ft.)	150	110	90	50
Total Direct wages (Rs.)	8,000	6,000	4,000	2,000
Cost of Machinery (Rs.)	24,000	18,000	12,000	6,000
No. of workers	24	16	12	8
Stock of goods	15,000	9,000	6,000	---

Prepare a statement showing apportionment of cost to various departments.

4. A factory uses Job costing. The following cost data is obtained from its books for the year ending 31st December, 2016.

Direct Materials	Rs.90,000
Direct wages	75,000
Profit	60,900
Selling & Distribution overheads	52,500
Administration overheads	42,000
Factory overheads	45,000

(a) Prepare a job cost sheet indicating the prime cost, works cost, cost of production, cost of sales and sales value.

(b) In 2017, the factory receives an order for a number of jobs. It is estimated that direct materials required will be Rs.1,20,000 and direct labour will cost Rs.75,000. What should be the price for the jobs if the factory intends to earn the same rate of profit on sales assuming that the selling & distribution overheads have gone up by 15%? The factory recovers factory overhead as a % of direct wages and administration and distribution overhead as a % of works cost based on cost rates prevailing in the previous year. [10]

OR

5. XYZ Ltd. is engaged in the process engineering industry. During the month of April, 2016, 2,000 units were introduced in Process X. The normal loss was estimated at 5% of input. At the end of the month, 1,400 units had been produced and transferred to Process Y, 460 units were incomplete units and 140 units during the process had been scrapped. The incomplete units had reached the following stages of completion:

Materials: 75% completed; **Labour:** 50% completed; **Overhead:** 50% completed.

Following is the further information on Process X:

Cost of 2,000 units Rs.58,000

Additional Direct material: Rs.14,400

Direct labour 33,400

Direct overhead 16,700

Units scrapped realized @ Rs.10 each.

Prepare a statement of equivalent production, statement of cost, statement of evaluation and process X Account. [10]

6. A company can produce and sell at its maximum capacity 20,000 units of a product. The sale price is Rs.100. The present sales are 15,000 units. To produce over 20,000 units and upto another 10,000 units some balancing equipments are to be installed at a cost of Rs.10, lakhs and the same will have a life span of 10 years.

The current cost structure is as under:

Direct Materials	30% of sale value
Direct labour	20% of sale value
Variable overheads	Rs.20 per unit
Profit	Rs.15 per unit

The present cost is estimated to go up due to price escalation as under:

10% in Direct material from present level of 30%
25% in Direct labour from present level of 20%
Rs.50,000 in Fixed overheads per year

There is a concrete proposal from a party to take 10,000 units additionally over present level of output on a long term basis at a unit price of Rs.90. Apart from the investment of Rs.10 Lakhs as shown above, the fixed overheads will increase by Rs.50,000 due to additional Administrative expenses.

The Co. is in a dilemma as to whether to accept the order for 10,000 units or to use the present un capacity of 5,000 units for which there will be additional selling expenses of Rs.50,000. Ignore financial charges and give your recommendation. [10]

OR

7. A businessman produces and sells 95,000 units of a product in a year at its 80% production capacity. The selling price of the product is Rs.8 per unit. The variable cost is 75% of selling price per unit. The fixed cost is Rs.3,50,000. The company is continuously incurring losses and the management plans to shut down the plant. The fixed cost is expected to be reduced to Rs.1,30,000. Additional costs of plant shutdown are expected at Rs.15,000.

Should the plant be shut down? What is the capacity level of production of shutdown point? [10]

- 8.a) What are the limitations of Breakeven Analysis?

- b) X Co. Ltd. has an overall P/V ratio of 40%. The marginal cost of a product is estimated to be Rs.30. Determine the selling price. [4+6]

OR

9. What are the basic requirements needed for conducting inter firm comparison? Elaborate various types of comparisons. [10]

10. Prepare cash budget of a business unit for April to June, 2017 from the following information and ascertain the opening balance as on 1st July, 2017.

a) Estimated sales, purchases and expenses are as follows:

	Jan (Rs.)	Feb (Rs.)	March (Rs.)	April (Rs.)	May (Rs.)	June (Rs.)
Sales	2,00,000	4,00,000	6,00,000	8,00,000	10,00,000	12,00,000
Purchases	1,52,000	3,06,000	4,60,000	6,08,000	7,56,000	9,04,000
Wages	24,000	30,000	36,000	48,000	60,000	72,000
Admn. expenses	30,000	40,000	50,000	60,000	70,000	80,000
Selling & Distribution expenses	30,000	50,000	70,000	90,000	1,10,000	1,00,000

b) Cash sales are 20% of total sales

c) 50% of credit sales are collected within one month and the balance in two months

d) Cash purchases are 25% of total purchases

e) 50% of credit purchases are paid within one month and the balance in two months.

f) No stock remains at the end of a month.

g) Commission on sales 10%

h) Cash balance at the end of March. Rs.4,00,000 [10]

OR

11. What is Variance Analysis? Explain and illustrate the various types of material variances. What are the difficulties in setting up standards? [10]