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Code No: 723AG

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 × 5 Marks = 25**

1.a) What are the tools of management accounting? [5]
b) What are the main features of job costing? [5]
c) What are the benefits of marginal costing? What are its pitfalls? [5]
d) Explain the circumstances in which marginal costing plays an important role in price fixation. [5]
e) What is the significance of standard costing in cost control? What are its advantages and limitations? [5]

PART - B **5 × 10 Marks = 50**

2. What do you mean by elements of cost? Explain and illustrate the various elements of cost. How is the selling price determined? [10]

OR

3. Calculate the machine hour rate of Machine A from the following data:
Cost of machine : Rs.16,000
Estimated scrap value : Rs. 1,000
Effective working life : 10,000 hours
Running time per four-weekly period : 160 hours
Average cost of repairs and maintenance charges per four-weekly period: Rs.120
Standing charges allocated to machine A per four-weekly period: Rs.40
Power by machine: 4 units per hour at a cost of 50 paise per unit. [10]

4. A work order for 1000 units of a product passes through 3 machines for which the machine hour rates in Rupees are as follows:
Machine A : 5.00
Machine B : 6.00
Machine C : 8.00
Material cost of work order is Rs.38,000 and wages Rs.5,000.
Machine A worked for 400 hours.
Machine B worked for 600 hours.
Machine C worked for 500 hours.
Upon completion of work order, material worth Rs.2,000 were returned to stores. Office overheads to be charged @ 60% of works cost. 10% of the production is going to be discarded, being unsatisfactory for which half the amount can be realized from sale in the market.
Find out the selling price per unit if 20% profit on selling price is desired. [10]

OR

5. Fifty units are introduced into a process at a cost of Rs. 10 each. The total additional expenditure incurred in the process is Rs.300. Of the units introduced 10% are normally spoiled in the course of manufacture and they have a scrap value of Rs.2.50 each. Owing to an accident only 40 units are produced. You are required to prepare,
a) Process account and
b) Abnormal loss account. [10]

6. A plant has a normal capacity to produce 10,000 units of output. The market demand for the product is 5,000 units at a price of Rs.80 each. The plant has a fixed overhead of Rs,80,000 when operating and Rs.75,000 when the plant is closed. The product has a variable cost of Rs. 75 per unit.
What would be your advice whether to continue with the production or close down in the short run? Justify your answer. [10]

OR

7. Manufacture of product A takes 20 hours on Machine no. 101. It has a selling price of Rs.150 and marginal cost of Rs.110. Component part Y could be made on machine no. 101 in 4 hours. The marginal cost of component part is Rs. 9 of which outside supplier's price is Rs.15.
Should one make or buy component Y? Discuss in both situations when-
a) Machine no 101 is working at full capacity.
b) There is idle capacity.
What are the non-cost or qualitative factors involved in a decision on make or buy? [10]

8. A Company currently operating at 80% capacity has the following particulars:

Particulars	Rs.
Sales	32,00,000
Direct materials	10,00,000
Direct labour	4,00,000
Variable overheads	2,00,000
Fixed overheads	13,00,000

An export order has been received that would utilize half the capacity of the factory. The order cannot be split, i.e. it has either to be taken in full and executed at 10% below the normal domestic prices or rejected totally.
The alternatives available to the management are:
a) Reject the order and continue with the domestic sales only as at present, or
b) Accept the order, split capacity between overseas and domestic sales and turn away excess domestic demand, or
c) Increase the capacity to accept the export order and maintain the present domestic sales by:
i) Buying an equipment that will increase capacity by 10%. This will result in an increase of Rs.1,00,000 in fixed costs, and
ii) Work overtime to meet balance of required capacity. In that case labour will be paid at one and a half times the normal wage rate.
Prepare a comparative statement of profitability and suggest the best alternative. [10]

OR

9.a) What are the circumstances under which selling below marginal cost may be justifiable?
b) Discuss the role of contribution in managerial decision making. [5+5]

10. A company manufactures two products A and B by making use of two types of materials i.e. X and Y. Product A requires 10 units of X and 3 units of Y. Product B requires 5 units of X and 2 units of Y. The price of X is Rs.2 per unit and that of Y is Rs.3 per unit. The sales manager has estimated the sales of product A to be 5,000 units and that of product B 10,000 units. The estimated opening stock of material X for the budget period is 2,500 units and that of Y is 3,000 units. The desired closing stock of material X is 5,000 units and that of Y is 4,000 units.
Prepare the material usage budge and material purchase budget for the year ending 31st December .xxxx. [10]

OR

11. A company marketing a product supplies the following information:

Standard sates			**Actual sales**		
Qty	Price	amount	Qty.	Price	Amount
Units	**Rs.**	**Rs.**	**Units**	**Rs.**	**Rs.**
10,000	3	30,000	5,000	3	15,000
			8,000	2.50	20,000

Calculate Sales value variances. [10]

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