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Question Paper Code: CMB405



INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

MBA III Semester End Examinations (Regular) - November, 2018

Regulation: IARE-R16

Strategic Management Accounting (MBA)

Time: 3 Hours

Max Marks: 70

Answer ONE Question from each Unit

All Questions Carry Equal Marks

All parts of the question must be answered in one place only

UNIT – I

1. (a) Limitations of Financial Accounting have made the Management realize the importance of Cost Accounting' Comment. [7M]
- (b) PH Ltd. is a manufacturing company having three production departments, A, B and C and two service departments X and Y. The following is the budget for March 2004. [7M]

Table 1

| | Total (Rs.) | A (Rs.) | B (Rs.) | C (Rs.) | X (Rs.) | Y (Rs.) |
|--|-------------|---------|---------|---------|---------|---------|
| Direct Material | | 1000 | 2000 | 4000 | 2000 | 1000 |
| Direct Wages | | 5000 | 2000 | 8000 | 1000 | 2000 |
| Factory rent | 4000 | | | | | |
| Power | 2500 | | | | | |
| Depreciation | 1000 | | | | | |
| Other overheads | 9000 | | | | | |
| Additional information | | | | | | |
| Area (Sq.ft) | | 500 | 250 | 500 | 250 | 500 |
| Capital value of assets (Rs. In lakhs) | | 20 | 40 | 20 | 10 | 10 |
| Machine hours | | 1000 | 2000 | 4000 | 1000 | 1000 |
| Horse power of machines | | 50 | 40 | 20 | 15 | 25 |

A technical assessment of the apportionment of expenses of service departments is as under:

Required: A statement showing distribution of overheads to various departments. Also show the redistribution of service departments expenses to production departments. Use repeated distribution method.

Table 2

| | A | B | C | X | Y |
|----------------------|----|----|----|---|----|
| | % | % | % | % | % |
| Service Department X | 45 | 15 | 30 | - | 10 |
| Service Department Y | 60 | 35 | - | 5 | - |

2. (a) Briefly explain different methods of costing. [7M]
- (b) Compute Machine Hour Rate from the following: [7M]
- Working hours for a month 160 hours
 - Cost of machine Rs.12000
 - Estimated scrap value Rs. 3000
 - Estimated working life of the machine 10000 hours
 - Repairs and maintenance per month Rs.120
 - Standing charges per month Rs.40
 - Power used 5 units per hour
 - Power per unit 10 paise.

UNIT – II

3. (a) The following extracts of costing information relate to commodity of X for the year ending 31.12.2013 [7M]

Table 3

| | | | |
|-----------------------------|---------|--------------------------|----------|
| Purchase of Raw materials | Rs.6500 | Direct wages | Rs.5000 |
| Rent, Rates and Insurance | Rs.2000 | Carriage inwards | Rs.100 |
| Stock(1.1.2013) | | Stock(31.12.2013) | |
| Raw materials | Rs1000 | Raw materials | Rs.1100 |
| Finished Goods-200 units | Rs.800 | Finished Goods-400 units | |
| Cost of Factory supervision | Rs.400 | Sale of Finished Goods | Rs.15000 |

Advertising and selling cost is 40 paise per ton sold, 3000 tons of the commodity were sold during the year. Prepare a Cost sheet. [7M]

- (b) What is fixed cost? What is its role in management decision making?
4. (a) 'What is Process costing? Explain the Advantages & Disadvantages of process costing. [7M]
- (b) Rama industries Ltd., has three processes through which its products pass for becoming a finished product. There is a loss of 2% in each process on the total weight put in and 10% is scrap in all processes. The scrap realises Rs.5 per ton from process 1, Rs.7 per ton from process 2 and Rs. 10 per ton from process 3. The detailed information of various processes is as follows:

[7M]

Prepare process cost accounts showing cost per ton at each process.

Table 4

| Particulars | Process 1 | | Process 2 | | Process 3 | |
|----------------------------|-----------|------|-----------|------|-----------|------|
| Passed to next process | | 60% | | 50% | | |
| Sent to warehouse for sale | | 40% | | 50% | | 100% |
| | Rs. | Tons | Rs. | Tons | Rs. | Tons |
| Raw Materials | 150000 | 500 | 24480 | 136 | 7200 | 24 |
| Labour cost | 27500 | | 20600 | | 15000 | |
| General expenses | 12500 | | 9200 | | 5075 | |

UNIT – III

5. (a) Define break even analysis. Describe the advantages of break even analysis. [7M]
- (b) Following information has been made available from the cost records of United Automobiles Ltd., manufacturing spare parts. [7M]

Table 5

| | |
|--------------------|-------------------------------|
| Direct Materials | Per Unit |
| X | Rs.8 |
| Y | Rs.6 |
| Direct Wages | |
| X | 24hours at 25 paise per hour |
| Y | 16 hours at 25 paise per hour |
| Variable overheads | 150% of wages |
| Fixed Overheads | Rs.750 |
| Selling price | |
| X | Rs.25 |
| Y | Rs.20 |

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period

- 250 units of X and 250 units of Y
- 400 units of Y only
- 400 units of X and 100 units of Y
- 150 units of X and 350 units of Y

State which of the alternative sales mixes you would recommend to the management.

6. (a) “Marginal costing is essentially a technique of cost analysis and cost presentation” Discuss the statement with reference to the merits and limitations of marginal costing. [7M]

- (b) The following are the data related to XYZ Co.,
 Normal capacity = 40000 units per month.
 Variable cost per unit Rs.6
 Actual production = 44000 units
 Sales =40000 units Rs. 15 per unit
 Fixed manufacturing overheads= Rs.100000 per month or Rs. 2.50 per unit normal capacity.
 Other fixed expenses = Rs. 240000 per month
 Compute Net profit under absorption costing.
- [7M]

UNIT – IV

7. (a) Explain in detail the classification of budgets according to Functions and flexibility [7M]
 (b) The expenses budget for production of 10000 units in a factory is given below: [7M]

Table 6

| Particulars | Per unit |
|--------------------------|-------------------------|
| Materials | Rs.70 |
| Labour | Rs.25 |
| Variable Overheads | Rs.20 |
| Fixed Overheads | Rs. 10(Rs.100000 fixed) |
| Direct Variable Expenses | Rs.5 |
| Selling Expenses | Rs.13(10% fixed) |
| Distribution Expenses | Rs.7 (20% fixed) |
| Administrative Expenses | Rs.5 (Rs. 50000 fixed) |
| Total | Rs.155 |

Prepare a flexible budget for production of 6000 and 8000 units. Fixed Overheads and Administrative expenses are fixed for all levels of production.

8. (a) Briefly discuss the advantages of Budgetary Control. [7M]
 (b) Pranav engineering company ltd. manufactures product Z. An estimated of the number of units expected to be sold in the first seven months of 2002 is given below:

Table 7

| Months | Jan | Feb | march | April | may | June | July |
|---------------|-----|-----|-------|-------|------|------|------|
| Sales (units) | 600 | 800 | 1000 | 1200 | 1200 | 1000 | 1500 |

[7M]

It is anticipated that, there will be no work-in progress at the of any month and finished units equal to half the anticipated sales for the next month will be in stock at the end of the each month (including December 2001). You are required to prepare a production budget showing the number of units to be manufactured each month from January to June 2002.

UNIT – V

9. (a) The standard material required manufacture one unit of product X is 10kgs and the standard price per kg of material is Rs. 25. He cost accounts records, however, reveal that 11,500kgs of material costing 2,76,000 were used for manufacturing 1,000units of product X. calculate material Cost variances, Material price variance and Material usage variance. [7M]
- (b) Explain the different stages of standard costing system. [7M]
10. (a) Form the following particulars, calculate all material variances. [7M]

Table 8

| Material | Standard | | Actual | |
|----------|-----------|--------------|-----------|--------------|
| | Qty in kg | Price in Rs. | Qty in kg | Price in Rs. |
| A | 10 | 8 | 10 | 7 |
| B | 8 | 6 | 9 | 7 |
| C | 4 | 12 | 5 | 11 |
| | 22 | | 24 | |

- (b) Explain the features, merits and limitations of Standard Costing. [7M]