

MBA (FT)

A

Paper MBAFT-6205— MANAGEMENT ACCOUNTING

(Admissions of 2010 and onwards)

Time : 3 hours

Maximum Marks : 50

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt all questions. Make suitable assumptions wherever necessary.

Q.1 Answer the following:

I. The following information is given:

Capacity	Unit cost Rs.	Unit selling price Rs.
6,000	80	100
7,000	75	97
8,000	74	95
9,000	72	
10,000	71	

The firm is operating at 8,000 units capacity and has received an order for 2,000 units from an export market at a price of Rs. 70 per unit. Advise the firm as to whether the export order should be accepted or not.

II. Explain briefly the role of a Management Accountant in Target Cost Management.

Q.2 Answer the following:

I. Somesh of Agra presently operates its plant at 80% of the normal capacity to manufacture a product only to meet the demand of Government of Tamil Nadu under a rate contract. He supplies the product for Rs. 4,00,000 and earns a profit margin of 20% on sales realizations. Direct cost per unit is constant. The indirect costs as per his budget projections are:

Indirect costs	20,000 units (80% capacity) Rs.	22,500 units (90% capacity) Rs.	25,000 units (100% capacity) Rs.
Variable	80,000	90,000	1,00,000
Semi-variable	40,000	42,000	45,000
Fixed	80,000	80,000	80,000

He has received an export order for the product equal to 20% of its present operations. Additional packing charges on this order will be Rs.1,000. Arrive at the price to be quoted for the export order to give him a profit margin of 10% on the export price.

II. Define and explain Activity Based Cost Management. List business applications which have started using Activity Based Cost Management information in recent years.

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**Q.3** Answer the following:

I. State what type of cost analysis is useful in taking managerial decisions in the following cases:

- |                           |                                 |
|---------------------------|---------------------------------|
| (a) Make or Buy           | (b) Retain or Replace a machine |
| (c) Shut down or continue | (d) Export sale vs. Local sale  |
| (e) Change vs. Status quo | (f) Expand vs. Contract.        |

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II. X Ltd. is in the Food Processing Industry. In one of its processes, three joint products are manufactured. Traditionally, the company has apportioned costs incurred up to the Joint Products' pre-separation point on the basis of weight of outputs of the product. You have been recently appointed Cost Accountant and have been investigating process cost and accounting procedure.

You are required to prepare statements for management to show:

- (a) The profit or loss of each product as ascertained using weight basis of apportioning pre-separation joint costs.  
 (b) The optimal contribution which could be obtained from the manufacture of these products.

The following process data for December are given. Cost incurred up to separation point are Rs. 96,000:

	Product A	Product B	Product C
Cost incurred after separation point (Rs.)	20,000	12,000	8,000
Selling price per Ton of completed product (Rs)	500	800	600
Estimated, if sold at separation point (Rs.)	250	700	450
Output (Tons)	100	60	80

The cost of any unused capacity after the separation point should be ignored.

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**Q.4** Answer the following:

I. Write short notes on:

- (i) Relevant cost (ii) Opportunity cost (iii) Incremental cost (iv) Sunk cost

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II. Explain briefly how standards are compiled for material and labour costs for a product.

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**Q.5** The budgeted level of activity of a production department of a manufacturing company is 5,000 hours in a period. But a technical study assumes overhead behavior mentioned below:

	Rs. ('00) Per hr.	Total in Rs. ( '000)
Indirect wages. variable cost	0.40	
Rent and Tax. fixed cost		320
Consumable supplies, variable	0.24	
Repairs: up to 2,000 hours		100
additional each extra 500 hrs up to 4,000 hrs.		35
additional 4,001 to 5,000 hrs		60
additional, above 5,000 hrs		70
Supervision up to 2,500 hrs		400
additional each extra 600 hrs up to 4,900 hrs		100
additional, above 4,900 hrs		150
Power variable up to 3,600 hrs	0.25	
for hrs above 3,600 additional cost,	0.20	
Depreciation up to 5,000 hrs		650
above 5,000 hrs		820
Clearing up to 4,000 hrs		60
above 4,000 hrs		80
Lighting 2,100 to 3,500 hrs		120
3,501 hrs to 5,000 hrs		150
above 5,000 hrs		175

Prepare fixed budget and a flexible budget at 70%, 85% and 110% of budgeted level of activity in one statement.