

**Jagan Institute of Management Studies**  
**End-Term Examination, December, 2016 – January, 2017**  
**Trimester II – PGDM (IB) 2016-18**

***Management Accounting***  
***ET\_IB\_MA\_2812***

Time: 3 Hrs.

M. Marks: 70

**INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q8 which are compulsory.**

- Q 1** a) How is management accounting helpful to the business enterprise? **5**  
 b) What benefit does the organization derive by following cost control and cost reduction methods? **5**  
 c) In modern business management the role of forensic accounting is increasing. Explain the methods adopted in forensic accounting by a firm. **6**
- Q 2** a) The following particulars have been extracted from books of M. Manufacturing co. Ltd., Delhi , for the year ended 31<sup>st</sup> March 2016:

	Rs.		Rs.
Stock of materials as on 1.04.2015	47,000	Rent, rates, taxes & insurance (office)	1,000
Stock of materials on 31.03.20-16	50,000	Travelling expenses	3,100
Materials purchased	2,08,000	Travelers' salaries & commission	8,400
Drawing office salaries	9,600	Production wages	1,40,000
Counting house salaries	14,000	Depreciation written off on machinery, plant & furniture	7,100
Carriage inwards	8,200	Depreciation written off on furniture	600
Carriage outwards	5,100	Director's fee	6,000
Cash discounts allowed	3,400	Gas & water charges (factory)	1,500
Bad debts written off	4,700	Gas & water charges (office)	300
Repairs of plant, machinery and tools	10,600	General charges	5,000
Rent, rates, taxes and insurance (factory)	3,000	Manager's salary	12,000

Out of 48 working hours in a week, the time devoted by the manager to the factory and office was on average 40 hours and 8 hours respectively, throughout the accounting year.

Prepare a statement of cost.

**12**

- Q 3 a)** Explain the concept of Life cycle costing. How is it useful for an organization? 6
- b)** What is the role of H R accounting in the growth of a business firm? Discuss. 6

- Q 4** A product passes through three processes – P, Q and R. The details of expenses incurred on the three processes during the year 1992 were as under:

<i>Process</i>	<i>P</i>	<i>Q</i>	<i>R</i>
Units issued	10,000		
	Rs.		
Cost per unit	100	Rs.	Rs.
Sundry materials	10,000	15,000	5,000
Labour	30,000	80,000	65,000
Direct Expenses	6,000	18,150	27,200
Selling Price per unit of output	120	165	250

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocated to the processes.

Actual output of the three processes was:

P : 9,300 units, Q : 5,400 units and R : 2,100 units. Two-thirds of the output of Process P and one-half of the output of Process Q was passed on to the next process and the balance was sold. The entire output of Process R was sold.

The normal loss of the three processes, calculated on the input of every process was:

Process P – 5%; Q – 15% and R – 20%.

The loss of Process P was sold at Rs. 2 per unit, that of Q at Rs.5 per unit and of Process R at Rs. 10 per unit.

Prepare the three Process Accounts and a Statement of Income for 1994 showing fully the accounting treatment of Process Wastage. 12

- Q 5 a)** What purpose is served by instituting a budgetary control system in an organization having both manufacturing and selling activities? 6
- b)** What are the steps followed by senior manager for adopting zero based budgeting. Explain. 6

- Q 6** The following data are obtained from the record of a factory:  
Sales 4,000 units @ Rs. 25 each; Material consumed Rs.40, 000;  
Variable overheads Rs.10, 000; Labour charges Rs.20, 000 and Fixed overheads Rs.18, 000. Calculate:

- i) The numbers of units by selling which the company will neither lose nor gain anything.
- ii) The sales needed to earn a profit of 20% on sales.

- iii) The extra units, which should be sold to obtain the present profit if it is proposed to reduce the selling, price by 20% and 25%.
- iv) The selling price to be fixed to bring down its break-even point to 500 units under present condition. 12

- Q 7** a) Explain the essential ingredients of the system of Responsibility Accounting. 6
- b) What are the criteria for evaluating the performance of a division? 6

- Q 8** A company makes an average profit of Rs.3.95 per unit on a selling price of Rs.16 per piece by producing 60,000 units or 60% of the potential capacity. Its costs of sales per piece is:  
Direct Materials Rs.5, Direct wages Rs.1.65, Works overhead Rs.5 (50 % fixed), Sales overhead 0.40 (25 % varying)
- During the current year, it intends to produce the same number but anticipates that the fixed charges will go up by 10 %, while the rates of direct labour and direct material will increase by 3.33 % and 6 % respectively. There is no scope for increasing the selling price due to keen competition. Under this situation, it obtains from X Ltd. an offer for a further 20% of its capacity. What should be the minimum price to earn a profit of Rs.2,15,000. 18

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