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

Management Accounting
ET_PG_MA_2812

Time: 3 Hrs.   *M. Marks: 70*

INSTRUCTIONS: Attempt any FIVE questions including Q1 & Q7 which are compulsory.

Q 1   Attempt any **FIVE** of the following:
- **a)** What do you mean by under-absorption and over-absorption of overheads? What may be the reasons behind their occurrence? How do they account for?
- **b)** Distinguish between controllable and non-controllable costs?
- **c)** Explain the concept of responsibility accounting. What are the different types of responsibility centers?
- **d)** What is labour time variance? What may be the reasons for the occurrence of this variance?
- **e)** What is P/V ratio? How can it be improved?
- **f)** Distinguish between normal and abnormal losses in relation to process costing. How do they account for in process costing?
- **g)** Explain the concept of installed capacity, practical capacity, normal capacity and idle capacity with example.   **20**

Q 2   **a)** What is cash break-even point? How is it a better guiding criterion in the short term than sales break-even point?   **3**
- **b)** Ever Forward Ltd. is manufacturing and selling two products Splash and Flash, at selling prices of Rs.3 and Rs.4 respectively. The following sales strategy has been outlined for the current year:
  - ♦ Sales planned for the year will be Rs.7.20 lakh in case of Splash and Rs.3.50 lakh in case of Flash.
  - ♦ To meet competition, the selling prices of Splash will be reduced by 20% and that of Flash by 12.5%.
  - ♦ Break-even is planned at 60% of the total sales of each product.
  - ♦ Profit to be achieved for the year is planned as Rs.69,120 in case of Splash and Rs.17,500 in case of Flash. This would be possible by launching a cost reduction programme and reducing the present annual fixed expenses of Rs.1,35,000, allocated as Rs.1,08,000 to Splash and Rs.27,000 to Flash.

  You are required to present the proposal in financial terms giving clearly the following information:

i)   Number of units to be sold for each of the product to break even.

ii) Total number of units to be sold during the year.

iii) Reduction in fixed expenses product wise as envisaged by the cost reduction programme.   **9**

Q 3   Answer the following:

a)   The profit plan for a Plant shows the following:

Annual budgeted fixed costs	Rs. 12 lakhs
Variable costs	Rs. 8,40,000,
Sales value	Rs. 22 lakhs,
Allocated head office budgeted fixed costs	Rs. 3,20,000.

You are required to compute the BEP before and after the allocation of fixed costs by the head office. Explain why the BEP change in rupees is greater than the allocated fixed costs.   **4**

b)   A Company sells its product at Rs.15 per unit. In a period, if its produces and sells 8,000 units, it incurs a loss of Rs.5 per unit. If the volume is raised to 20,000 units, it earns a profit of Rs.4 per unit. Calculate break-even point both in terms of rupees as well as in units.   **4**

c)   Explain the assumption of constant sales mix in relation to overall break-even sales of the company. Is it truly applicable in practice?   **4**

Q 4   The following particular relate to process 'X':

Opening WIP :	500 units at the Cost of Rs 5,000
Units introduced in the process :	4,500
Normal Loss (% of total input)	10% [Sold @ 0.70 per unit]
Units completed and transferred to next process	4,000
Closing WIP :	800 units

Degree of Completion --	Materials	Labour	Overheads
Opening WIP	80%	60%	60%
Closing WIP	100%	80%	80%

The costs incurred during the period were –
Materials Rs. 27,000, Labour Rs. 12,120 and Overheads Rs. 10,100.
You are required to prepare the necessary statements and process 'X' A/c.   **12**

Q 5   The standards for a chemical mixture are A 40%, and B 60%. The price is Rs. 20 per Kg. The standard material cost for 100 Kgs. of chemical 'X' is made up of three components as:
A 30 Kgs @ Rs.4.00 per Kg. B 40 Kgs @ Rs.5.00 per Kg. C 80 Kgs @ Rs.6.00 per Kg.
In a batch, 500 Kgs. of chemical 'X' were produced from a mix of A 140 Kgs.(Cost Rs.588), B 220 Kgs (cost Rs.1056) and C 440 Kgs. (cost Rs.2860). Calculate the material cost variances.   **12**

Q 6   The following particulars relate to a company manufacturing and selling a chemical mixture –

Stock as on 1.4.2014		Direct Wages	1,78,650
Raw Materials (2000 kgs.)	2,000	Power	30,400
Finished Mixture (500 kgs.)	1,750	Depreciation of Machine	18,000
Factory Stores	7,250		
Purchases		**Salaries**	
Raw Materials (160000 kgs.)	1,80,000	Factory	72,220
Factory Stores	24,250	Office	37,220
		Selling	41,500
Sales		**Expenses**	
Finished Mixture (153050 kgs.)	9,18,300	Direct	18,500
Factory Scrap	8,170	Office	18,200
		Selling	18,000

Stock as on 31.03.2015

Raw Materials	1,200 kgs.
Finished Mixture	450 kgs.
Factory Stores	5,550

The stock of finished mixture at the end of the year is to be valued at the factory cost. The purchase price of raw material remained unchanged throughout the year. You are required to prepare a Cost-Sheet.   **12**

Q 7   A Company engaged in plantation activities has 200 hectares of virgin land which can be used for growing jointly or individually tea, coffee and Cardamom. The relevant information were as given below:

	Tea	Coffee	Cardamom
Yield (Kgs.)	2000	500	100
Selling Price per Kg.	20	40	250
Costs per Kg.			
Labour charges	8	10	120
Packing	2	2	10
Other Costs	4	1	20
Maximum Area (hectares) to be cultivated	160	50	30
Minimum Area (hectares) to be cultivated	120	30	10
Fixed Overheads p.a. Rs.18, 00,000			

The policy of the company is to produce all the three kinds of products. Calculate the most profitable product mix and the maximum profit, which can be achieved.   **14**

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