STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.

COURSE CODE: 19CM/MC/MA34

B.COM DEGREE EXAMINATION – NOVEMBER 2021

COMMERCE – SHIFT II

COURSE : MAJOR – CORE
PAPER : MANAGEMENT ACCOUNTING
TIME : 3 HOURS **MAX. MARKS: 100**

SECTION – A

Answer all the questions: **(3 x 4 = 12)**

1. State the objectives of Management Accounting.

2. From the following data, calculate (a) P/V Ratio (b) Profit

	Rs.
Sales	22,000
Fixed Expenses	4,400
Break Even Point	11,000

3. (a) What do you understand by variable Expenses? **(2 Marks)**

   (b) Variable overheads for production of 25,000 units are Rs. 75,000. What will be the variable overheads for production of (a) 18,750 units (b) 25,000 units? **(2 Marks)**

SECTION – B

Answer any THREE questions: **(3 x 16 = 48)**

4. (a) Differentiate between Management Accounting, Financial Accounting and Cost Accounting. **(8 Marks)**
   (b) Briefly describe the tools and techniques of Management Accounting. **(8 Marks)**

5. (a) Explain the importance of budgeting and the types of budgets**.** **(6 Marks)**

   (b) Prepare a Cash Budget for the three months commencing 1st June, when the bank balance was Rs. 1,50,000. **(10 Marks)**

Month	**Sales Rs.**	**Selling Overheads Rs.**	**Purchases Rs.**	**Wages Rs.**	**Factory overheads Rs.**	**Administrative overheads Rs.**	**Research expenditure Rs.**
April	89000	3,750	37,500	8500	5,600	3000	2900
May	84500	4600	40,500	8900	5,900	3260	2900
June	93500	4,210	39,560	9,300	5,400	2980	2900

July	72500	3,710	40,400	6500	5,800	3100	2900
August	83000	4,100	35,500	10100	6,000	3020	3100

i. A sales commission of 5% on sales due 2 months after sales is payable in addition to the above selling overheads.

ii. Plant purchased, June Rs.38,000, payable on delivery, building purchased Rs 80,000, payable in two half yearly instalments,1st July and 1st January of next year.

iii. A dividend of Rs.20,000 will be paid in October.

iv. Period of credit allowed by suppliers and to customers – 2 months.

v. Lag in payment as to the following to be taken into account:
Wages- 1/8th month
Factory overheads – 1 month
Administration overheads – 1 month
Research expenditure – 1 month
Selling overheads – 1 month

6. (a) Explain the meaning of Break even point. **(2 Marks)**

(b) Comment on the profitability of each product when: **(6 Marks)**

i. Raw material is the key factor
ii. Sales quantity is the key factor
iii. Labour is a limiting factor

	Product A per unit (Rs.)	**Product B per unit (Rs)**
Selling Price	400	1000
Material (Rs. 40 per Kg)	80	320
Labour (Rs. 20 per hour)	100	200
Variable overhead	40	80
Total Fixed Overhead	Rs. 30,000	

(c) State which of the following sales mixes can be recommended to the management.

500 units of A and 500 units of B **(8 Marks)**
800 units of B only
800 units of A and 200 units of B
300 units of A and 700 units of B.
The following information is provided:

	A	**B**
Direct Material	Rs. 16 per unit	Rs. 12 per unit
Direct wages	48Hours @50 paise	32 Hours @ 50 paise

	per hour	per hour
Selling Price	Rs 50	Rs 40
Variable overheads	150% of direct wages	
Fixed Overheads (Total)	Rs. 1500	

7. A company manufactures a particular product the standard cost of which is Rs 12 per unit. The following information is obtained from the cost records.

	Standard Mix			**Actual Mix for January 2019**		
Materials	Quantity units	Rate Rs	Amount	Quantity units	Rate Rs.	Amount
A	60	10	600	350	11	3850
B	40	5	200	250	6	1500
	100		800	600		5600
Loss	20 (Loss 20%)		-	60 (Loss 10%)		-
	80		**800**	**540**		**5350**

Calculate:

(a) Material Cost Variance
(b) Material price Variance
(c) Material Usage Variance
(d) Material Mix Variance
(e) Material Yield variance

SECTION – C

Answer any ONE question: **(1 x 40 = 40)**

4. (a) Explain the application of marginal costing. **(15 Marks)**

(b) State if the following statements are true or false. If false give the correct statements. **(5 Marks)**

i. Under Marginal costing variable costs are ignored for decision making.
ii. Marginal Cost=Direct Material + Direct Wages + Direct Expenses + Fixed Overheads.
iii. Contribution = Fixed Cost - Profit
iv. Variable cost are also called period cost.
v. Break even point is also called zero profit and zero loss point. **(20 Marks)**

(c) From the information given below find out

(i) Profit volume Ratio
(ii) Fixed Cost

(iii) Break Even point for sales
(iv) Profit when sales are Rs.2,00,000
(v) Sales required to earn a profit of Rs.40,000
(vi) Margin of safety at a profit of Rs. 30,000
(vii) Variable cost in period II

	Period I	**Period I**
Sales Rs.	2,40,000	2,80,000
Profit Rs.	18,000	26,000

Assume that the cost structure and selling prices remain constant in period I and II.

5. (a) Explain the relevance of standard costing and its application, identifying industries which could adopt standard costing for decision making. **(10 Marks)**

(b) Mark True or False for the following statements. **(5 Marks)**

(i) A variance is a yardstick with which comparisons can be made.
(ii) Standard costing does not include analysis of variance.
(iii) The objective of standard costing is cost control.
(iv) When actual cost exceeds the standard cost, it is favorable variance.
(v) When actual sales exceed the standard sales, it is unfavorable variance.

(c) A gang of workers normally consists of 35 men,20 women and 15 boys in a factory and the standard hourly rates prescribed are: **(25 Marks)**
Men – 85 paise, women- 65paise and boys 45 paise. In a normal working week of 45 hours, the gang is expected to produce 2500 units of output. During the week ending 30 the September 2019 the gang consisted of 45 men,15 women and 10 boys. Actual wages paid per hour were 75paise for men, 65 paise for women and 35 paise for boys. Five hours were lost due to abnormal idle time and 2000 units were produced.

(i) Labour cost Variance
(ii) Labour rate variance
(iii) Labour efficiency variance
(iv) Labour idle time variance
(v) Labour mix or gang composition variance
(vi) Labour yield Variance

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