STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.
(For candidates admitted during the academic year 2019-2020 and thereafter)

B.Com DEGREE EXAMINATION NOVEMBER 2023
COMMERCE
THIRD SEMESTER

COURSE	**:**	**MAJOR CORE**	
PAPER	**:**	**MANAGEMENT ACCOUNTING**	
SUBJECT CODE	**:**	**19CM/MC/MA34**	
TIME	**:**	**3 HOURS**	**MAX. MARKS: 100**

SECTION - A

Answer ALL questions: **(10x2=20)**

1. State the significance of Management Accounting.
2. What is a key factor?
3. Is Budget different from budgetary control?
4. What do you mean by contribution?
5. What is standard costing?

6. A manufacturing company find that the cost of making a component is Rs 20. The same is available in the market for Rs 18 with an assured continuous supply. Is it advisable to make or buy the component. The cost is as follows.

Material	10
Labour	5
Variable expenses	2
Fixed expenses	3

7. Calculate the variable overhead cost variance from the following data

Particulars	Budgeted	Actual
Standard overhead (Rs.)	2,50,000	2,60,000
Output in units	25,000	20,000
Working hours	1,25,000	1,10,000

8. A firm produces a product A for which the opening balance is Rs. 7,800 units. The estimated sales during a month are 14,700 units and closing stock would be 8,200 units. Prepare Production Budget.

9. What should be sales volume to make a profit of Rs. 25,000? if fixed overhead - Rs. 25,000; Variable cost - Rs. 10 per unit; Selling price - Rs. 15 per unit.

10. The standard cost of material for manufacturing a unit is 16 kg of raw materials @ Re. 1 per kg. On completion, it was found that 20 kg of raw material costing Rs. 1.50 per kg has been consumed. Compute Material Cost Variance.

SECTION - B

Answer any FIVE questions: **(5x8=40)**

11. For the production of 10,000 electric automatic irons; the following are the budgeted expenses:

	Per unit Rs.
Direct material	60
Direct labour	30
Variable overhead	25
Fixed overhead (Rs. 1,50,000)	15
Variable expenses (Direct)	5
Selling Expenses (10%) fixed	15
Administration expenses (Rs. 50,000 rigid for all levels of production)	5
Distribution expenses (20% fixed)	5
The total cost of sale per unit	160

Prepare a budget for the production of 6,000 and 8000 irons.

12. The sales and profit for 2022 and 2023 are as follows:

	Sales (Rs.)	Profit (Rs.)
2022	1,50,000	20,000
2023	1,70,000	25,000

Find out:
a) BEP
b) Sales for a profit of Rs. 40,000
c) Profit for sales of Rs. 2,50,000 and
d) Margin of safety at a profit of Rs. 50,000.

13. The budgeted and actual sales of a company producing and selling a single product are as follows:
Budgeted sales - 25,000 units at Rs. 6 per unit
Actual sales - 30,000 units at Rs. 4 per unit
Calculate
a) Sales value variance
b) sales price variances
c) Sales volume variance.

14. Q Ltd sells two products X and Y. The following were the actual sales for the year ended 31/12/2022.

	East Zone		West Zone	
Product	Units	Price (Rs.)	Units	Price (Rs.)
X	40,000	20	60,000	20
Y	50,000	30	80,000	30

For the year 2023, it is expected that the sales of X and Y will increase by 10% in the normal process. A special advertising campaign is expected to fetch an additional 25% in the sales of product A in both zones. The selling price of A is unchanged but the price of B is to be increased by 2 per unit which is expected to have no special effect on sales. Prepare sales budget.

15. A company expects to have Rs. 37,500 cash in hand on 1st April, and requires you to prepare an estimate of cash position during the three months, April, May and June.
The following information is supplied to you.

Particulars	Sales in Rs.	Purchases in Rs.	Wages in Rs.	Factory expenses in Rs.	Office Expenses in Rs.	Selling expenses in Rs.
February	75,000	45,000	9,000	7,500	6,000	4,500
March	84,000	48,000	9,750	8,250	6,000	4,500
April	90,000	52,500	10,500	9,000	6,000	5,250
May	1,20,000	60,000	13,500	11,250	6,000	6,570
June	1,35,000	60,000	14,250	14,000	7,000	7,000

Additional information:
1) Period of credit allowed by suppliers 2 months.
2) 20% of sales is for cash and period of credit allowed to customers for credit is one month.
3) Delay in payment of all expenditure – 1 month
4) Income tax of Rs 57,500 is due to be paid on June 15th
5) The company is to pay dividends to shareholders and bonus to workers of Rs 15,000 and Rs 22,500 respectively in the month of April.
6) Plant has been ordered to be received and paid in May. It will cost Rs 1,20,000.

16. The following particulars are extracted in from the books A Ltd.

	Product A	Product B
Sales per unit	Rs 100	Rs. 120
Material cost per unit	Rs.10	Rs. 15
Material consumed	2 (kgs)	3 (kgs)
Direct wages	Rs. 15	Rs. 10
Direct expenses	Rs. 5	Rs. 6
Machine hours	3 Hours	2 Hours
Machine hour rate	Rs. 10	Rs. 15
Overhead expenses Fixed Variable	 Rs. 5 Rs. 15	 Rs. 10 Rs. 20

Comment on the profitability
i. Total sales potential in units is limited
ii. Production capacity in terms of machine hours is limited
iii. Materials is in short supply
iv. Sales potential value is limited

17. Calculate Material Cost, Price, Usage and Mix variances

	Standard			Actual		
	Qty (Kgs)	Unit price	Total	Qty (Kgs)	Unit price	Total
A	200	8	1600	210	7.5	1575
B	300	6	1800	350	6.5	2275
Total	500		3400	560		3850

SECTION – C

Answer any TWO questions: **(2x20=40)**

18. The information regarding the composition and hourly wage rate of labour force engaged on a job scheduled to be completed in 40 hours and expected to produce 1,000 units are as follows:

	Standard		Actual	
	No. of workers	Hourly wage rate per worker	No. of workers	Hourly wage rate per worker
Skilled	10	1.25	13	1.2
Semi-skilled	5	0.8	4	0.85
Unskilled	5	0.7	3	0.65

Two hours were lost due to abnormal idle time and 960 units of output were produced.
Calculate

a. Labour cost variance
b. Labour efficiency variance
c. Labour sub efficiency variance
d. Labour rate variance
e. Labour mix variance
f. Idle time Variance

19. Present the following information to show to the management a) the marginal product cost and the contribution per unit b) the total contribution and profits resulting from each of the following sales mixtures.

	A (Rs. Per unit)	B (Rs. Per unit)
Selling price	20	15
Material	10	9
Wages	3	2

Fixed cost Rs. 800
Variable cost is allocated to products as 100% of direct wages.
Sales Mix:
A) 1000 units of Product A and 2000 units of Product B
B) 1500 units of Product A and 1500 units of Product B
C) 2000 units of Product A and 1000 units of Product B

20. A company which sells 5000 units at Rs. 100 per unit has the following cost structure.

Direct material Rs 30 per unit
Direct wages Rs 20 per unit
Overhead Rs 30 per unit (60% fixed)
On the basis of detailed discussion the following suggestions were made to improve the profits

a. Increase the selling price by 20% and increase the product quality by using superior material which increases material cost per unit by 30%. It is expected to result in sales of 4,800 units of the improved product.

b. Decrease the selling price by 10% and spend additional amount on advertising up to Rs 1,00,000. It is estimated to improve the sales by an additional 4,000 units
c. Reduce the selling price by 15% and reduce the product quality to savings of 20% in material per unit. 25% on wages per unit and Rs 30,0000 on fixed overhead. The sales volume is not expected to be affected.

21. From the following budgeted figures, prepare a cash budget for April to June 30th 2022

Month	Sales	Purchases	Manufacturing expenses	Office expenses	Selling Expenses
January	1,38,000	80,000	5,100	3,600	4,200
February	1,25,000	94,000	5,600	3,800	4,100
March	1,80,000	1,25,000	5,200	3,400	4,600
April	1,40,000	1,28,000	5,700	3,600	4,300
May	1,42,000	1,31,000	5,500	3,300	4,200
June	1,38,000	1,25,000	5,800	3,000	5,300

Additional Information:

a. Estimated cash balance on 1.4.2022 was Rs.50,000
b. Purchases are paid 50% during the month following the month of supply and the balance in the next month.
c. 25% of sales were on cash basis. 50% of the Credit sales were paid in the next month of sale and the balance is paid in the following month.
d. Lag in payment of Manufacturing expenses is half a month.
e. Office expenses are paid in the same month.
f. Selling expenses are paid after a lag period of 2 months.
g. Preference share dividend of 10% on capital of Rs. 4,00,000 to be paid on 1st May 2022.
h. A call amount of Rs 50,000 is due in the month of June .
i. Plant & machinery which was purchased on instalment is installed at the cost of Rs. 1,50,000 in April. However, the first instalment of Rs 15,000 is due on June 15th
j. Income tax of Rs 25,000 is to be paid in the month of May.

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