MBA DEGREE (FT) II SEMESTER EXAMINATION APRIL 2013

SMS 2208 MANAGEMENT ACCOUNTING

(2011 Admission)

Time : 3 Hours | Max. Marks: 50

I. A. What is cost accounting? Explain the procedure for preparing a cost sheet.

OR

B. Prepare a cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of July 2011. Also find out the cost of sales.

	₹
Stock of raw materials (1-7-2011)	3,000
Raw materials purchased	28,000
Stock of raw materials (31-7-2011)	4,500
Manufacturing wages	7,000
Depreciation on plant	1,500
Loss on sale of a part of plant	300
Factory rent and rates	3,000
Office rent	500
General expenses	400
Discount on sales	300
Advertisement expenses	600
Income tax paid	2,000

The number of units produced during July 2011 was 3,000.

The stock of finished goods was 200 and 400 units on 1-7-2011 and 31-7-2011 respectively. The total cost of units on hand on 1-7-2011 was ₹ 2000/-. All these had been sold during the month.

II. A. (a) What are the elements of cost? Explain.

(b) Explain Halsey and Rowan plan with suitable examples.

OR

B. PH Ltd. is a manufacturing company having three production departments, A,B and C and two service departments X and Y. The following is the budget for December, 2011.

	Total ₹	A ₹	B ₹	C ₹	X ₹	Y ₹
Raw Material		1,000	2,000	4,000	2,000	1,000
Direct wages		5,000	2,000	8,000	1,000	2,000
Factory rent	4,000					
Power	2,500					
Depreciation	1,000					
Other overhead	9,000					

<u>Additional information</u>

	A	B	C	X	Y
Area (Sq.ft)	500	250	500	250	500
Capital value of assets (₹ lakh)	20	40	20	10	10
Machine hours	1,000	2,000	4,000	1,000	1,000
Horse power of machines	50	40	20	15	25

A technical assessment for the apportionment of expenses of service departments is as under.

	A	B	C	X	Y
Service Dept. 'X' (%)	45	15	30	--	10
Service Dept. 'Y'(%)	60	35	--	5	--

You are required to prepare a (i) statement showing distribution of overheads to various departments and (ii) statement showing re-distribution of service departments expenses to production departments.

(P.T.O)

III. A. Explain the procedure for the preparation of process accounts.

OR

B. The following balances were extracted from the book of a building contractor on 31st March, 2011.

	₹
Materials issued to site	62,720
Wages paid	73,455
Wages outstanding on 31-3-2011	720
Plant issued to site	6,000
Direct charges paid	2,515
Establishment charges	5,650
Stock of materials at site on 31-3-2011	1,200
Value of work certified at 31-3-2011	1,65,000
Cost of work not yet certified	3,500
Cash received on account of architect's certificate	1,41,075

The work was commenced on 1st April 2010 and the contract price agreed at ₹ 2,45,000/-. Prepare contract account for the year, providing for depreciation of plant at 25%. Calculate the profit or loss on the contract to date and make such provisions in the contract account as you consider desirable.

IV. A. What is marginal costing? Explain its applications for managerial decision making in large scale enterprises.

OR

B. The cost sheet of a product is given below.

		Per Unit (₹)
Direct materials		100.00
Direct labour		50.00
Factory overhead		
	Fixed	10.00
	Variable	20.00
Administrative expensed (fixed)		15.00
Selling overheads (fixed)		5.00
Variable		10.00
		210.00

The selling price per unit is ₹ 210/-. The above figures are for an output of 50,000 units, whereas the capacity of the firm is 60,000 units. A foreign customer is desirous of buying 10,000 units at a price of ₹190 per unit. The extra cost of exporting the product is ₹ 5 per unit. Advise the manufacturer whether the order should be accepted.

V. A. What is budgetary control? Explain its objectives.

OR

B. Ambitious Enterprises is currently working at 50% capacity and produces 10,000 units. At 60% working, raw material cost increases by 2% and selling price falls by 2%. At 80% working, raw material cost increases by 5% and selling price falls by 5%. At 50% capacity working, the product cost is ₹ 180 per unit and it is sold at ₹ 200 per unit. The unit cost of ₹ 180/- is made up as follows:

	₹
Materials	10.00
Wages	30.00
Factory overheads (fixed 40%)	30.00
Administration Overheads (fixed 50%)	20.00
Total	180.00

You are required to compute the total costs and profits for three capacity levels and prepare a brief note for the management on the profitability of these levels of performance with your recommendation.

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