MBFM 3005

M.B.A. DEGREE EXAMINATION,
DECEMBER 2014/JANUARY 2015.

Third Semester

Finance

MANAGEMENT ACCOUNTING

(2012-2013 Batch onwards)

Time : Three hours Maximum : 100 marks

PART A — (5 × 6 = 30 marks)

Answer any FIVE questions out of the following.

1. Discuss in detail the nature and scope of management accounting.

2. What is Transfer Pricing? Discuss the importance of Transfer Pricing.

3. What is sales volume variance?

4. What is margin of safety? How is it calculated?

5. You are required to prepare a production budget for the half year ending June 2012 from the following information :

Product	Budgeted sales quantity	Actual stock on 31-12-2011	Desired stock on 30-06-2012
	Units	Units	Units
S	20,000	4,000	5,000
T	50,000	6,000	10,000

6. What is Activity-Based Costing (ABC)?

7. Describe the objective of Social Cost Benefit Analysis.

8. From the following information relating to ABC Ltd., you are required to find out

   (a) P/V ratio

   (b) Breakeven point

	Rs.
Total fixed cost	4,500
Total variable cost	7,500
Total sales	15,000

PART B — (5 × 10 = 50 marks)

Answer any FIVE questions out of the following.

9. What is Responsibility Accounting? Explain the significance of Responsibility Accounting.

10. From the following budget date, forecast the cash position at the end of April, May and June 2012.

Months	Sales	Purchases	Wages	Mis. Expenses
	Rs.	Rs.	Rs.	Rs.
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

PART C – (1 × 20 = 20 marks)

Compulsory.

17. The following are the operating details of two plants operating under the same management.

	Plant A	Plant B
	Rs.	Rs.
Sales	10,00,000	8,00,000
Variable cost	6,00,000	5,00,000
Fixed cost	2,00,000	2,00,000
Capacity of operation	100%	50%

It is proposed to merge both plants. You are required to ascertain;

(a) Break even sales and break even capacity of the merged plant

(b) Profit and profitability of operating the merged plant at 90% of the capacity

(c) Capacity level of operation, if profit of Rs. 4,00,000 (the profit made by both plants before merger) has to be made by the merged plant.

Additional information :

(a) Sales: 20% realized in the month of sale; discount allowed 2%. Balance realized equally in two subsequent months.

(b) Purchases: These are paid in the month following the month of supply.

(c) Wages: 25% paid in arrears following month.

(d) Miscellaneous expenses: Paid a month in arrears.

(e) Rent: Rs. 1,000 per month paid quarterly in advance due in April.

(f) Income Tax : First installment of advance tax Rs. 25,000 due on or before 15th June.

(g) Income from investments: Rs. 5,000 received quarterly in April, July, etc

(h) Cash in hand: Rs. 5,000 on 1st April 2012.

11. With the help of following information calculate :

(a) Labour Cost Variance

(b) Labour Rate Variance

(c) Labour Efficiency Variance

Standard hours: 40 @ Rs.3 per hour

Actual hours: 50 @ Rs 4 per hour.

12. From the particulars given below calculate :

(a) Break-even point

(b) Profit or loss when sales are Rs. 12,000.

(c) Sales required to earn a profit of Rs. 5,000.

Year	Sales	Profit/loss (–)
	Rs.	
2009	10,000	(–) 500
2010	14,000	1,500

13. An Automobile manufacturing company finds that the cost of making part No. 105 in its own workshop is Rs. 6. The same part is available in the market at Rs. 5.60 and with assurance of continuous supply. The cost data to make part are

	Rs.
Material	2.00
Direct labour	2.50
Other variable cost	0.50
Fixed cost allocated	1.00
	6.00

(a) Should the part be made or bought.

(b) Will your answer be different if the market price is Rs. 4.60.

14. From the following balance sheets as on 31-03-2013 and 31-03-2012. Prepare cash flow statement :

Liabilities	2013	2012	Assets	2013	2012
	Rs.	Rs.		Rs.	Rs.
Share capital	1,50,000	1,00,000	Fixed assets	1,50,000	1,00,000
Profit and loss A/c	80,000	50,000	Goodwill	40,000	50,000
General Reserve	40,000	30,000	Stock	80,000	30,000
6% Debentures	60,000	50,000	Debtors	80,000	50,000
Creditors	40,000	30,000			
Outstanding			Bills receivables	20,000	30,000
expenses	15,000	10,000	Bank	15,000	10,000
	3,85,000	2,70,000		3,85,000	2,70,000

15. Explain about the different types of reports submitted to the management of an organization.

16. From the following information, calculate Material Cost Variance, Material Price Variance and Material Usage Variance:

	Standard		Actual	
Materials	Quantity (units)	Price per unit	Quantity (units)	Price per unit
		Rs.		Rs.
A	80	8.00	90	7.50
B	70	3.00	80	4.00