(vii) Cash balance estimated as on 1st April 2017 be Rs. 10,000. (10)

(b) Differentiate between Product Cost and Period Cost. (5)

7. Write short notes :

(i) Target Costing

(ii) Life Cycle Costing

(iii) Break Even Point & Margin of Safety (5×3=15)

18/12/17 (m)

[This question paper contains 8 printed pages.]

Your Roll No.....

Sr. No. of Question Paper : 8376

Unique Paper Code	:	61011306
Name of the Paper	:	Management Accounting
Name of the Course	:	**Bachelor of Management Studies (BMS), 2017 (CBCS)**
Semester	:	III
Duration	:	3 Hours
Maximum Marks	:	75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any **Five** questions.
3. **All** questions carry equal marks.

1. Kapoor Amusement Park charges Rs. 4 each ride in the park. Variable costs amount to Rs. 0.80 per ride and fixed costs are Rs. 32,00,000. Last Year's net income was Rs. 6,40,000 on sales of Rs. 48,00,000. Rising costs have cut sharply into net income for Kapoor's for last two years. This year management again expects a cost increase of 25 percent in variable costs and 10 percent in fixed costs. To help offset these increases, the management is considering raising price of a ride to Rs. 5.

Find out :–

(i) If the price increase of ride is not implemented, what is the expected net income for this year assuming the same volume of activity?

(ii) Compute the break-even point for this year using the old price and the new price.

(iii) Should management raise the price of a ride, if the price increase will reduce ride volume 10 percent from the last year's level? In that situation, what will be expected net income? (15)

2. (a) A newly established manufacturing company has an installed capacity to produce 1,00,000 units of a consumer product annually. The following budget has been prepared for 90% capacity utilization:

	Cost per Unit (Rs.)
Direct Materials	12
Direct Labour	8
Direct Expenses	5
Production Overheads	10 (40% Variable)
Administrative Overheads	5 (100% fixed)
Selling and Distribution Overheads	6 (50% Variable)

You are required to prepare budgets at 60%, and 80% levels of capacity utilization giving clearly the variable cost, the unit fixed cost and total costs under various heads at all the above levels. (10)

Month	Sales (Rs)	Purchases(Rs)	Wages (Rs)	Miscellaneous Expenses(Rs)
February	1,00,000	70,000	8,000	5,000
March	1,20,000	90,000	10,000	6,000
April	80,000	1,05,000	6,000	4,000
May	1,14,000	96,000	9,000	10,000
June	82,000	78,000	8,000	5,000

Additional Information :

(i) Sales: 20% of the sales is cash and the balance is realised in 2 equal instalments in subsequent months

(ii) Purchases: paid in the month following the month of supply

(iii) Wages: 75% in the month incurred and 25% as arrears in the following month

(iv) Miscellaneous Expense: paid a month in arrears

(v) Rent: Rs 1,000 pm is paid in advance for the ensuing quarter

(vi) Income and Income tax: Rs. 5,000 is received as interest on investment in April and July and RS 25,000 is paid as tax in July 2017.

(b) XYZ Ltd purchases 20000 bells per annum from an outside supplier at Rs. 5 each. The management feels that these be manufactured and not purchased. Machine costing Rs. 50000 will be required to manufacture the item within the factory. The machine has an annual capacity of 30000 units and life of 5 Year. Following additional information is available :

Material Cost per Bell will be Rs. 2.00; Labor cost per bell will be Rs. 1.00; Variable Overheads 100 % of labor cost.

You are required to advise whether –

(i) The company should continue to purchase the bells from the outside supplier or should make them in the factory; and

(ii) The company should accept an order to supply 5000 bells to the market at a selling price of Rs. 4.50 per unit? (6)

6. (a) QPR Ltd had been suffering losses due to cash embezzlement in the past few years. To keep a check for future it plans to maintain budget for the coming quarter. From the following budgeted data, forecast the cash position at the end of April, May, and June 2017:

(b) Explain various techniques used for Divisional Performance Measurement. (5)

3. Yadav Chemical Industries provide the following information from their records. For making 10 Kgs. of Y, the standard material requirements are:

Material	Quantity	Rate Per Kg.
A	8	6.00
B	4	4.00

During April 2017, 1000 kgs. of Y were produced. The actual consumption of materials is as under :

Material	Quantity	Rate Per Kg.
A	750	7.00
B	500	5.00

Calculate :

(a) Material Cost Variance

(b) Material Price Variance

(c) Material Usage Variance

(d) Material Mix Variance

(e) Material Yield Variance (15)

4. (a) The XYZ Company has just completed operations for the year 2016; the company's Assistant Accountant provided the following information :

	(Rs.)
Purchase of Raw Material	85,000
Carriage Inward	5,000
Wages:	
Direct	75,000
Indirect	10,000
Other Direct Charges	15,000
Rent and Rates	
- Factory	5,000
- Office	500
Indirect Consumption of Materials	500
Depreciation:	
- Plant	1,500
- Office Furniture	400
Salary:	
- Office	2,500
- Salesmen	2,000
Other Factory Expense	5,700
Other Office Expense	700
Managing Director's Remuneration	12,000
Other Selling Expense	1,000
Travelling Expense of Salesmen	1,100
Carriage and Freight	1,400
Sales	2,50,000
Advance Income Tax paid	15,000
Advertisement	2,000
Stock of Raw Material (Opening)	25,000
Stock of Raw Material (Closing)	40000

Additional Information: Managing Director's remuneration is to be allocated in the ratio 2:1:3 for factory, office and sales department respectively.

From the above information prepare the different phases of cost and net profit. (10)

(b) 'Limitations of financial accounting have made the management realize the importance of cost accounting'. Comment. (5)

5. (a) AB Ltd. furnishes the following information relating to budgeted sales and actual sales for April 2017.

	Product	Sales Quantity Units	Selling Price Per Unit (Rs.)
Budgeted Sales	A	1200	15
	B	800	20
	C	2000	40
Actual Sales			
	A	880	18
	B	880	20
	C	2640	38

Calculate the following Variances :

(i) Sales Value Variance

(ii) Sales Volume Variance

(iii) Sales Price Variance (9)