

IMT-58

MANAGEMENT ACCOUNTING

Notes:

- Write answers in your own words as far as possible and refrain from copying from the text books/handouts.
- Answers of Ist Set (Part-A), IInd Set (Part-B), IIIrd Set (Part – C) and Set-IVth (Case Study) must be sent together.
- Submit the assignments in IMT CDL H.O. along with the assignments Question Papers for evaluation .
- Only hand written assignments shall be accepted.

<u>A. First Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>B. Second Set of Assignments</u>	5 Questions, each question carries 1.5 marks.
<u>C. Third Set of Assignments</u>	5 Questions, each question carries 1.5 marks. Confine your answers to 150 to 200 Words.
<u>D. Forth Set of Assignments</u>	Two Case Studies : 7.5 Marks. Each case study carries 3.75 marks.

SECTION - A

- Q. 1.** Distinguish between Management accounting and Financial Accounting.
- Q. 2.** What are the methods by which semi variable cost can be split in its fixed and variable elements?
- Q. 3.** Medical aid co. manufactures a special product "AID". The following particulars were collected for the year 1998:
- | | |
|-------------------------------|--------------------|
| Monthly demand of AID | 1,000 units |
| Cost of placing an order | Rs. 100 |
| Annual carrying cost per unit | Rs 15 |
| Normal usage | 50 units per week. |
| Minimum usage | 25 units per weed |
| maximum usage | 75 units per week |
| re-order usage | 4 to 6 week |
- Compute from the above :**
- re-order quantity
 - re-order level
 - minimum level
 - maximum level
- Q. 4.** What do you understand by JIT?
- Q. 5.** Explain the term administrative overheads and briefly discuss three methods of treatment thereof in cost accounts.

SECTION - B

- Q. 1.** How does ABC differ from the traditional costing approach?
- Q. 2.** What is service costing? Describe the type of industries in which such a system would be suitable.

Q. 3. Calculate the cost of each process and total cost production from the data given below:

	Process x	Process Y	Process Z
Materials	2,250	750	300
Labour	1,200	3,000	900
Direct Expenses:			
Fuel	300	200	400
Carriage	200	300	100
Work overhead	1,890	2,580	1,875

The indirect expenses Rs. 1,275 should be apportioned on the basis of wages.

Q. 4. What are the advantages of variable costing?

Q. 5. What do you mean by break-even analysis and explain its uses and applications?

SECTION - C

Q. 1. Explain advantages and limitations of budgeting.

Q. 2. What is transfer prices? What are different types of transfer prices?

Q. 3. Define expense centre. What is the suitability of the measure of performance in an expense centre?

Q. 4. Differentiate between 'sunk' and 'avoidable' costs. What is the relevance of such a distinction for short-run decisions?

Q. 5. The details regarding composition and the weekly wage rate of labour force engaged on a job scheduled to be completed in 30 weeks are as follows:

Category of	Standard		Actual	
	No. of	Weekly wage	No. of	Weekly wage
Workers	Laborers	Rate	Laborers	Rate
Skilled	75	60	70	70
Semi-skilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks. Calculate the various labour cost variances.

CASE STUDY - 1

A Ltd. furnishes the following data relating to the year 2008.

	1st half of the year	2nd half of the year
Sales (Rs.)	45,000	50,000
Total cost (Rs.)	40,000	43,000

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the two half year period, calculate-

1. P/V Ratio
2. Fixed expenses
3. Break even sales
4. Percentage of margin of safety to total sales.

CASE STUDY - 2

Goodluck Ltd. is currently operating at 75% of its capacity. In the past two years, the level of operations were 55% and 65% respectively. Presently, the production is 75,000 units. The company is planning for 85% capacity level during 2013 – 2014. The cost details are as follows:

	55%	65%	75%
	Rs.	Rs.	Rs.
Direct Materials	11,00,000	13,00,000	15,00,000
Direct labour	5,50,000	6,50,000	7,50,000
factory overheads	2,00,000	2,00,000	2,00,000
Selling overheads	3,10,000	3,30,000	3,50,000
Administrative overheads	3,20,000	3,60,000	4,00,000
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	24,40,000	28,00,000	31,60,000
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Profit is estimated @ 20% on sales.

The following increases in costs are expected during the year.

	In percentage
Direct material	8
Direct labour	5
Variable selling overheads	8
Fixed factory overheads	10
Fixed selling overheads	15
Administrative overheads	10

Required: Prepare flexible budget for the period 20X1 – 20X2 at 85% level of capacity. Also ascertain profit and contribution