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BC-305

Seat No.________

B. B. A. (Sem. VI) Examination

March / April – 2014

Management Accounting

Time : **3** Hours] [Total Marks : **70**

Instructions : (1) Q. **1** and Q. **3** are **compulsory**.
(2) The figures on the **right** indicate full marks.
(3) Give calculation as a part of your answer.

1 (a) What is Management Accounting ? Give explanation of its wide scope. **8**

(b) What is reporting ? What are the essential requisites of reports useful to management ? **8**

2 For a production department of a manufacturing company, you are required to : **14**

(a) Prepare a flexible budget of overheads.

(b) Prepare a flexible budget of overheads at 70% and 110% of budgeted volume.

(c) Calculate a departmental hourly rate of overhead absorption, as per (a) and (b) above.

The budgeted level of activity of the departments is 5,000 hrs. per period and a study of the various items of expenditure reveals the following :

	Rs.	Re. Per hrs.
Indirect wages	-	0.40
Repairs :		
- Up to 2,000 hrs.	100	
- For each additional 500 hrs. up to total of 4,000 hrs.	35	
- Additional from 4,001 to 5,000 hrs.	60	
- Additional above 5,000 hrs.	70	
Rent and rates	350	
Power :		
- Up to 3,600 hrs.		0.25
- For hour above 3,600		0.20
Consumable supplies		0.24
Superision :		
- Up to 2,500 hrs.	400	
- Additional for each extra 600 hrs. above 2,500 and upto 4,900 hrs.	100	
- Additional above 4,900 hrs.	150	
Depreciation :		
- Up to 5,000 hrs.	650	
- Above 5,000 hrs. and upto 6,500 hrs.	820	
Cleaning :		
- Upto 4,000 hrs.	60	
- Above 4,000 hrs.	80	
Heat and Lighting :		
- From 2,100 hrs. to 3,500 hrs.	120	
- From above 3,500 hrs. to 5,000 hrs.	150	
- Above 5,000 hrs.	175	

OR

2 Prepare a cash budget for the three months ending 31st March, 2013 from the information given below : **14**

(a)

Month	*Sales (Rs.)*	*Materials (Rs.)*	*Wages (Rs.)*	*Overheads (Rs.)*
November-2012	14,000	9,600	3,000	1,700
December-2012	15,000	9,000	3,000	1,900
January-2013	16,000	9,200	3,200	2,000
February-2013	17,000	10,000	3,600	2,200
March-2013	18,000	10,400	4,000	2,300

(b) Credit terms are : 10% of sales are on cash and 50% of the credit sales are collected next month and the balance in the following month.

Creditors :

- Material................. 2 months
- Wages .... 1/4 months
- Overheads .... 1/2 months

(c) Cash and bank balance on 1st January, 2013 is expected to be Rs. 6,000.

(d) Other relevant information are :

(i) Plant and machinery will be installed in November-2012 at a cost of Rs. 96,000. The monthly installments of Rs. 2,000 is payable from January - 2013 onwards.

(ii) Dividend @ 5% on preference share capital of Rs. 2,00,000 will be paid on 1st March, 2013.

(iii) Advance of Rs. 9,000 to be received for the sale of vehicles in March, 2013.

(iv) Dividends from investments amounting to Rs. 1,000 are expected to be received in March, 2013.

(v) Income tax (advance) to be paid in March - 2013 is Rs. 2,000.

3 The KS company is considering the feasibility of purchasing from a near by jobber a component in the required quantity at a unit price of Rs. 4.50. Transportation and storage costs for the component would be negligible and therefore can be ignored. **14**

KS produces the components from a single raw material. The firm at present orders materials in Economic Order Quantity of 1,000 units at a unit cost of Re. 1.00, average annual usage is 10,000 unit of the components. The yearly storage cost (including rent, taxes return on inventory investment etc.) at present is computed at 50 paise per unit. The minimum inventory is set at 200 units.

Direct labour costs for the component are Rs. 3 per units. Fixed manufacturing overhead is absorbed at Rs. 2 per unit based on a normal capacity of 10,000 units. In addition to the above costs, the machine on which the components are produced is leased at Rs. 100 per month.

Should KS Ltd. make or buy the component ? Would you like to qualify your answer in any way ?

OR

3 A manufacturer has planned his level of operation at 50% of his plant capacity of 30,000 units. This expenses are estimated as follows, if 50% of the plant capacity is utilized : **14**

		Rs.
(i)	Direct material	8,280
(ii)	Direct wages	11,160
(iii)	Variable and other manufacturing expenses	3,960
(iv)	Total fixed expenses irrespective of capacity utilization	6,000

The expected selling price in the domestic market is Rs. 2 per unit, recently, the manufacturer has received a trade enquiry from an overseas organisation interested in purchasing 6,000 units at a price of Rs. 1.45 per unit.

As a professional management accountant what would be your suggestions regarding acceptance or rejection of the offer ? Support your suggestion with suitable quantitative information.

4 (a) Discuss briefly the objectives and limitations of budgetary control. **7**

(b) What do you understand by flexible budget ? How is it drawn and what difficulties would you expect to face in its computation ? Is flexible budget useful to management ? How ? **7**

OR

4 Tarun Ltd. produces three products A, B and C from the same manufacturing facilities. The cost and other detail of the three products are as follows : **14**

	A	*B*	*C*
Selling price (Rs.) / Unit	200	160	100
Variable cost / unit (Rs.)	120	120	40
Fixed expenses / month (Rs.) 2,76,000	-	-	-
Maximum production per month (units)	5,000	8,000	6,000
Total hrs. available for the month - 200 maximum demand per month (units)	2,000	4,000	2,400

The processing hours cannot be increased beyond 200 hrs. per month.

You are required to :

(a) Compute the most profitable product mix.

(b) Compute the overall break even sales of the company for the month based on the mix calculated in (a) above.

5 Give answers of the following questions : (any **three**) **12**

(1) Social reports

(2) Routine reports

(3) Cost benefit assessment

(4) Responsibility Accounting

(5) Importance of Reporting to Management.