



Institute of Management
JK Lakshmipat University, Jaipur
END TERM EXAMINATION NOV 2018



BBA& B.Com (H) Semester-III
MM: 40 Marks

Course: Management Accounting
Time: 2 Hours
Subject code: AC06

Instructions: Attempt any four questions from below of 10 Marks Each.

Q1. M/s. Jupiter & Co. Ltd. manufactures a product in its factory the cost details including selling price are given below:

Sales 6000 units	Rs. 540000
Direct Materials	Rs.96000
Direct Labour	Rs.120000
Direct Expenses	Rs.20000
Factory Overheads	Rs.200000
Administration Overheads	Rs.21000
Selling and Distribution Overheads	Rs.25000

Out of fixed overheads, 12.5% (factory overhead) and 20% of (selling and distribution overheads) are variable. Administration overheads are wholly fixed. Now, it is revealed that existing product could not achieve budgeted level for two consecutive years; the management decides to introduce a new product with marginal investment but largely using present plant and machinery.

The cost data of the new product is given below:

Direct Materials	Rs. 16 per unit
Direct Labour	Rs. 15 per unit
Direct Expenses	Rs. 2 per unit
Variable Factory Overheads	Rs. 2 per unit
Variable Selling & Distribution Overheads	Rs. 1.5 per unit

Marketing Manager of the company is expecting to sell 2000 units of new product at a price of Rs.60 per unit.

The fixed factory overheads are expected to increase by 10% and fixed selling and distribution expense will go up by Rs.13, 500 annually. Administration overheads will remain unchanged.

You are advised to give your opinion. Should the new product be introduced? (10 Marks)

Q2. Distinguish between: (10 marks).

- Absorption costing and Marginal Costing
- Budgeting and forecasting
- Standard Costing and Budgetary Control

Q3. Complete the following balance sheet, assuming that only the equity capital and retained profit figures are given (10 marks).

	Rs.		Rs.
Equity capital	3,00,000	Fixed Assets	
Retained Earnings	3,00,000	Inventories	
Creditors		Debtors	
		Cash	
	Total		Total

You are given with further following information.

Total debt is two-thirds of net worth; turnover of total assets is 1.8; Debtors collection period is 30 days (360 days assumed in a year); turnover of inventory is 5; cost of goods sold in a year is Rs. 9,00,000; and the acid test ratio is 1:1.

Q4. In the following cases, one out of four answers is correct. You are required to indicate the correct answer (= 1 mark) and give workings (=1 mark): [2x5=10]

i. Sales of two consecutive months of a company are Rs. 3, 80,000 and Rs. 4, 20,000. The company's net profit for these months amounted to Rs. 24,000 and Rs. 40,000 respectively. There is no change in P/V ratio or fixed costs. The P/V ratio of the company is _____

(A) 33.33%

(B) 40%

(C) 25%

(D) None of these

ii. Selling price of a product is Rs. 5 per unit, variable cost is Rs. 3 per unit and fixed cost is Rs. 10,000. Then B.E point in units will be:

(A) 10,000

(B) 5,000

(C) 7,500

(D) None of the above

iii. If break-even sales is 60% of current sales and profit is Rs. 60,000, then the amount of contribution will be (a) Rs. 1,00,000 (c) Rs. 1,50,000 (b) Rs. 36,000 (d) Rs. 1,86,000

iv. The cost per unit of a product manufactured in a factory amounts to Rs. 160 (75% variable) when the production is 10,000 units. When production increases by 25%, the cost of production will be -----Rs. Per unit.

(a) Rs. 145 (c) Rs. 150

(b) Rs. 152 (d) Rs. 140

V. Total cost of 2000 units is Rs. 32000 and for 3200 units is Rs.38, 000. Fixed cost will be (a) Rs.32, 000 (b) Rs.22,000 (c) Rs.20,000 (d) Rs.6,000

Q5. Following the summarized Balance sheet of A Ltd. as on 31st December, 2006 and 2007

Assets	2006	2007	Liabilities	2006	2007
Fixed Assets	400000	320000	Share Capital	450000	450000
Investment	50000	60000	General Reserve	300000	310000
Stock	240000	210000	Profit & Loss	56000	68000
Debtors	210000	455000	Creditors	168000	134000
Bank	149000	197000	Provision for Taxation	75000	10000
			Bills Payable	-----	270000
	1049000	1242000		1049000	1242000

Additional Information-

1. Invest Costing Rs. 8000 were sold during the year 2007 for Rs. 8500.
2. Provision for taxation made during the year 2007 was Rs. 9000.
3. During the year 2007, Part of fixed assets having book value of Rs. 10,000 were sold for Rs. 12,000.
4. Dividend paid during the year 2007 amounted to Rs. 40,000.

Prepare cash flow statement for the year ended 31st December, 2007.(10 Marks)