



Institute of Management
JK Lakshmipat University
Jaipur

END TERM EXAMINATION 2017

Programme: BBA & B.Com (H) Sem: III
MM: 50 Marks

Sub.: Management Accounting
Time: 3 Hours
Subject code: AC06

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A

Q1.(a) "A cost sheet is a report on which is accumulated all of the costs associated with a product or production job. This is used to compile the margin earned on a product or job. The cost can be classified by its behavior in relation to the output." Discuss.

(b) A readymade garment company is organized into two production centres, namely cutting and stitching department. The company paid the following salaries and wages during the last quarter of the year:

Particulars	(₹)
Wages of machine fitters	48,000
Salary of supervisors	36,000
Sales manager	1,50,000
Cutting labour	45,000
Finance manager	1,20,000
Production manager	1,56,000
Sewing machine operators	42,000
Shop floor cleaners	12,000

Classify these expenses into direct and indirect costs. In case of indirect costs, classify them further into production, administration and sales costs. (5+5 marks)

Q2. A company manufactures a product that is sold at Rs.40 per unit. The company proposes to manufacture 24000 units in the next quarter. The financial data relating to the production is as follows:

Particulars	Amount (in Rs.)
Prime Cost	380000
Variable Factory Overheads	76000
Fixed Factory Overheads	196000
Variable Selling Overheads	72000
Fixed Selling Overheads	60000
Administration Overheads	48000

- Present the profitability statement in marginal costing format.
- Determine the P/V ratio, BEP and Margin of safety in units.

(4+6 marks)

Q3. "Both Standard Costing and Budgetary Control are based on the principle that costs can be controlled along certain lines of supervision and responsibility, that focuses on controlling cost by comparing actual performance with the predefined parameter. However, the two systems are neither similar nor interdependent." Explain.

(10 marks)

Q4. A company is having a share capital of 2,00,000 equity shares at Rs.10 per share follows dividend payout of 75%. The book value per share is Rs.40 and market price is Rs.56 per share. The PE ratio is 8. Calculate:

- i) Earnings Per Share ii) Dividend Per Share
 ii) iii) Net Profit iv) Return on Equity

(10 marks)

Q5. From the following information, calculate material variances:

Material	Standard Mix		Actual Mix	
	Qty.(in Kg.)	Price (Rs. Per Kg.)	Qty.(in Kg.)	Price (Rs. Per Kg.)
Silver	120	5	112	4.5
Zinc	80	10	88	11
Total	200		200	
Loss	40		50	
Total Output	160		150	

(10 marks)

Section B

Q6. (a) A company has prepared the following schedule of sales, purchases and payments of wages and overheads as shown in the following table:

Particulars (in Rs.)	May	June	July	August	September
Sales	45000	50000	55000	60000	65000
Purchase of materials	26000	30000	32000	35000	38000
Wages	12000	12000	12200	12500	13000
Overheads	6000	7000	8000	8500	9000

Additional Information:

- 1) Sales: 20% of sales made each month are on cash basis and the balance on credit basis. Of the credit sales, 40% are collected in the same month, and the balance 20% in the third month.
- 2) Purchases: Material suppliers allow a credit period of 2 months. Hence payment for purchases made in January is required to be made in March.
- 3) Wages: 75% of wages are payable in the same month and the balance in next month.
- 4) Overheads: Of the overheads, a sum of Rs.1000 represents depreciation. Out of the balance, 50% is payable in the same month and the balance in the next month.
- 5) Cash and Bank: The opening balance as on 1 July 2017 was Rs.8000.
- 6) The company had to pay a sum of Rs.3000 towards insurance charges in July 2017.
- 7) A dividend from investments of Rs.12000 was received in August 2017.
- 8) A new machine was erected in August 2017. An advance of Rs.10000 was paid in July 2017. The first half yearly installment of Rs.25000 was due for payment in August 2017.
- 9) The sale of old machinery fetched Rs.20000 in July 2017.

Prepare the cash budget for July, August and September 2017.

(b) "A healthy business generates a continuous flow of cash through its trading operations. Every business needs cash to pay for its on-going expenses and to settle debts as they arise. Running out of cash would mean being unable to make these payments. This could lead to a business entering into liquidation. The Cash Flow Statement tracks how cash has moved into and out of the business over the preceding year." Elucidate.

(12 +8 marks)