PC-161100010605 Seat No. ________

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

March / April – 2020

Management Accounting

(New Course)

Time : $2\frac{1}{2}$ Hours] [Total Marks : **70**

Instructions :

(1) All the questions are compulsory.
(2) Figures to the right side indicate marks.
(3) All working notes should form / part of your answer.

1 Explain the meaning of term "Management Accounting" and discuss its scope and functions in detail. **14**

OR

1 Answer the following : **14**

(a) Difference between – Financial Accounting System and Management Accounting System.

(b) Advantages of Management Accounting.

2 (a) The following particulars related to the manufacturing of products A and B. Both the products use same raw materials. **10**

Particulars	*Product A Per Unit (Rs.)*	*Product B Per Unit (Rs.)*
Selling Price	1000	1880
Direct Materials (Rs. 75 per kg)	300	600
Direct Labour (Rs. 10 per hour)	200	400
Variable Overheads	100	160

Fixed Cost Rs. 8,00,000.

(1) Assuming materials as the key factor and availability of which is 32,000 kgs, find the product mix which will give maximum profit.

(2) Assuming labour hour as the key factor and availability of which is 1,80,000 hours, find the product mix which will give maximum profit.

(3) The maximum sales of each product is 5,000 units.

(b) Kia Motors Ltd. purchased a part of the car code 'AB2' at Rs. 165. If it is produced in own workshop it would cost as under : **4**

Particulars	***Rs.***
Materials	85
Labour	40
Other Variable Overheads	30
Fixed Overheads	40
	195

Company's requirement for 'AB2' is 10,000 units in a year. Advise, whether the company should produce this part in own workshop or should purchase from outside.

OR

2 (a) The P.V. ratio of a company is 70% and total variable cost is Rs. 75,000. Sales value at BEP is Rs. 1,50,000. **4**

Calculate :

(1) Total actual sales of the company

(2) Net profit.

(b) Thanganat Company manufactures three different products. The data relating to their production, cost per unit and selling prices are as under : **10**

Product	***A***	***B***	***C***
Production (units)	8,000	4,000	10,000
	Rs.	***Rs.***	***Rs.***
Materials	9	13	15
Add : Wages	3.5	4.5	5
Add : Variable Overheads	1	1.5	1.5
Add : Fixed Overheads	2.5	4	4.5
Total cost	16	23	26
Add : Profit per Unit	4	7	4.5
Selling Price	20	30	30.5

The management is thinking of discounting the production of one product and assures you that the production of remaining two products will increase by 50%. They want to drop the production of A as it is less profitable.

(a) Do you accept the proposal ?

(b) If so, do you believe that the production of A should be dropped ?

(c) Give your comments and present the statements in support of your decision.

3 (a) From the following budgeted figures, prepare a cash budget of Kshitij Ltd. in respect of the three months from 1st April to 30th June, 2020 : 8

Month	*Sales (Rs.)*	*Materials (Rs.)*	*Wages (Rs.)*	*Overheads (Rs.)*
January	3,00,000	2,00,000	55,000	31,000
February	2,80,000	2,40,000	58,000	33,000
March	3,20,000	2,50.000	60,000	34,000
April	4,00,000	2,80,000	62,000	36,000
May	4,20,000	3,10,000	65,000	43,000
June	3,80,000	2,50,000	70,000	40,000

(1) Estimated cash balance as on 1st April, 2020 is Rs. 1,00,000.

(2) Materials and overheads are paid during the month following the month of supply.

(3) Wages are paid in the same month.

(4) 50% of sales are collected in the month after sales and remaining 50% are collected in the second month after sales.

(5) Sales commission of 5% on sales is to be paid within the month following actual sales.

(6) Preference share dividend of 10% on capital of Rs. 30,00,000 is to be paid in May, 2020.

(7) Plant and machinery to be installed in May, 2020 at a cost of Rs. 1,00,000 will be payable in June, 2020.

(8) 10% calls on equity share capital of Rs. 25,00,000 are due on 1st April and 1st June, 2020.

(b) From the following information, calculate Direct Labour cost variance. **6**

Labour	*Standard*			*Actual*		
	Hours	*Rate (Rs.)*	*Labour (Rs.)*	*Hours*	*Rate (Rs.)*	*Labour (Rs.)*
Male	60	30	1,800	70	32	2,240
Female	20	12	240	30	10	300
	80		*2,040*	*100*		*2,540*

OR

3 (a) Zazba Ltd. can produce 10,000 units at 100% capacity. The estimated cost at 50% and 75% production capacity is as under : **6**

Particulars	*Production Capacity*	
	50% (Rs.)	*75% (Rs.)*
Direct materials per unit	35	35
Direct wages per unit	40	40
Factory overheads	2,10,000	2,55,000
Administrative overheads	50,000	50,000
Selling and distribution overheads	90,000	1,15,000

The company is presently operating only at 50% capacity and the selling price per unit is Rs. 180. It is anticipated that 5% reduction in selling price will enable the company to increase its sales volume and thereby enable to operate at 60% or 80% capacity. Prepare flexible budget for 60% and 80% production capacity and find out profit.

(b) The standard cost of a certain chemical mixture is as follows : **8**

40% Material A at Rs. 20 per ton.

60% Material B at Rs. 30 per ton.

A standard loss of 10% is expected in production. During one month 171 tons is produced and 90 tons of material A at Rs. 18 per kg. and 110 tons of material B at Rs. 34 is used.

Calculate :

(1) Material Cost Variance

(2) Material Price Variance

(3) Material Mix Variance

(4) Material Yield Variance.

4 Following is the balance-sheet of Conquest Limited. **14**

Liabilities	*31-03-'18 Rs.*	*31-03-'19 Rs.*	*Assets*	*31-03-'18 Rs.*	*31-03-'19 Rs.*
Equity share Capital (Shares of Rs. 10 each)	12,00,000	18,00,000	Goodwill	4,80,000	3,60,000
Preference share Capital (shares of Rs. 10 each – Rs. 7 paid up)	4,20,000	-	Building	9,60,000	15,00,000
Share Premium	90,000	60,000	Plant and Machinery	8,40,000	12,00,000
General Reserve	4,80,000	3,00,000	Investments	2,40,000	-
P&L Account	2,10,000	4,50,000	Stock	1,80,000	3,00,000
8% Debentures	-	6,00,000	Debtors	2,64,000	2,40,000
Sundry Creditors	3,00,000	3,60,000	Bills Receivable	60,000	60,000
Bills Payable	1,20,000	-	Cash Balance	60,000	66,000
Prov. for taxation	1,44,000	1,80,000	Bank Balance	-	2,40,000
Proposed dividend	1,20,000	2,16,000			
	30,84,000	***39,66,000***		***30,84,000***	***39,66,000***

During the year :

(1) Depreciation on Building – Rs. 1,80,000 and Plant and Machinery – 1,50,000.

(2) Following the provisions of the companies act, Preference Shares has been redeemed at 5% premium. For the said purpose, Rs. 6,00,000 is transferred to Capital Redemption Reserve Account from General Reserve Account.

(3) Debentures have been issued worth of Rs. 6,00,000 at 5% discount.

(4) Bonus shares to Equity Shares is issued in the ratio of 2:1 from Capital Redemption Reserve Account.

(5) Paid Dividend worth of Rs. 1,20,000 and Income Tax worth of Rs. 1,50,000.

(6) Investment has been sold in such a way so as to realize 20% profit on sales price.

You are requested to prepare cash-flow statement as per AS-3. All working notes will be part of your answer.

OR

4 The balance sheets of M/s. Glory for the last two years are as follows along with the various adjustments. From the same, you are requested to prepare "Cash-Flow Statement" as per AS-3. All the working notes will be part of your answer. **14**

Liabilities	*31-3-'18 Rs.*	*31-3-'19 Rs.*	*Assets*	*31-3-'18 Rs.*	*31-3-'19 Rs.*
Eq. Share Capital	7,80,000	10,40,000	Goodwill	32,000	20,000
General Reserve	4,42,000	5,20,000	Machinery	8,00,000	8,00,000
Capital Reserve	-	26,000	Building	12,80,000	16,70,000
P & L Account	1,56,000	1,95,000	Investment	2,60,000	2,08,000
Debentures	5,20,000	3,64,000	Sundry Debtors	5,00,000	5,60,000
Sundry Creditors	2,00,000	1,38,000	Stock	2,28,000	2,46,000
Bills Payable	1,12,000	2,00,000	Cash Balance	20,000	58,000
Provision for Tax	2,34,000	2,21,000			
Provision for Depreciation	5,98,000	7,54,000			
Proposed Dividend	78,000	93,600			
Unclaimed Dividend	-	10,400			
	31,20,000	***35,62,000***		***31,20,000***	***35,62,000***

Additional Information :

(1) A machine is sold for Rs. 65,000, which had original cost worth of Rs. 1,30,000 and depreciation provided till the date of sale, is worth of Rs. 54,600. Furthermore, another machine worth of Rs. 36,000 is fully depreciated, and thereby, the same is to be written-off.

(2) Current year depreciation to be provided – (a) Building – Rs. 86,600 and (b) Machinery – Rs. 1,60,000.

(3) During the year, debentures were redeemed at 5% premium.

(4) Investments were sold at a profit and the said profit is transferred to Capital Reserve Account.

(5) In the previous years, the stocks were undervalued by 5%. However, from the current year onwards, it is decided to be valued at cost price. The closing stock as on March 2019 was correctly valued at cost price.

(6) During the year, Income Tax paid is worth of Rs. 1,60,000.

5 Define " Responsibility Accounting". Explain responsibility centres in detail. **14**

OR

5 Explain : **14**

(a) Advantages of Responsibility Accounting.

(b) Limitations of Responsibility Accounting.