Hall Ticket No | | | | | | | | | | | Question Paper Code: CMB405

INSTITUTE OF AERONAUTICAL ENGINEERING

(Autonomous)

MBA III Semester End Examinations (Regular) - January, 2018

Regulation: IARE–R16

Stratgic Management Accounting

(MASTER OF BUSINESS MANAGEMENT)

Time: 3 Hours **Max Marks: 70**

Answer ONE Question from each Unit
All Questions Carry Equal Marks
All parts of the question must be answered in one place only

UNIT – I

1. (a) 'Cost accounting is superior to financial accounting for the development of the business enterprises'. Do you agree? Discuss. **[7M]**

   (b) The following particulars have been extracted as shown in Table 1 from Mayur Ltd., for the year 2005. **[7M]**

Table 1

Particulars	**Production Department**			**Service Department**	
	A	B	C	P	Q
Direct material (Rs.)	30000	45000	60000	25000	35000
Direct labor (Rs.)	15000	30000	30000	30000	30000
Staff Number	1500	2250	2250	750	750
Electricity (kwh)	6000	4500	3000	1500	1500
Asset value (Rs)	60000	40000	30000	10000	10000
Light points (Numbers)	10	16	4	6	4
Area (Sq mts)	150	250	50	50	50

The expenses for the period were as follows in (Rs.) as shown in Table 2.

Table 2

Power	1100	Lighting	200
Stores overhead	800	Welfare to staff	3000
Depreciation	30000	Repairs	6000
General overheads	12000	Rent and taxes	550

Apportion the expenses of service department Q according to direct wages and those of service department P in the ratio of 5:3:2 to the production departments.

2. (a) "Costing system has become an essential tool in the hands of management" Elucidate the statement using various techniques of costing. **[7M]**

   (b) Compute the machine hour rate from the following data: **[7M]**

   i. Total machine cost to be depreciated Rs. 2,30,000
   ii. Life: 10 years
   iii. Depreciation on straight line
   iv. Departmental overheads (Annual): Rent Rs.50,000 heat and light Rs.20,000 supervision Rs.1,30,000
   v. Departmental area 70000 Sq feet
   vi. Machine area 2500 sq feet, 26 machines in the department
   vii. Annual cost of reserve equipment for the machines Rs.1,500
   viii. Hours run on production 1800
   ix. Hours for setting and adjusting 200
   x. Power cost Rs.0.50 per hour for running time
   xi. Labour:
      i. When setting and adjusting full time attention
      ii. When machine is producing one man can look after three machines
   xii. Labour rate Rs.6 per hour

UNIT – II

3. (a) From the following information, given in Table 3 prepare a statement of cost for the month of August, 2015. **[7M]**

Table 3

Particulars	**01.08.2015**	**31.08.2015**
Raw materials	Rs. 40000	Rs. 25000
WIP	Rs.32000	Rs.18000
Finished goods	3000 Units @ Rs.20/unit	2000 units
Purchase of raw materials	Rs.55000	
Direct wages	Rs.35000	
Direct expenses	Rs.20000	
Works overhead	Rs.50000	
Administrative overheads	Rs.30000	
Selling and distribution overhead	Rs.5 per unit sold	
Sale of scrap	Rs.5000	
Sales	9000 units	
Profit	20% on sales	

(b) How do you differentiate between fixed costs and variable costs? What is meant by semi-variable costs? Give example. **[7M]**

4. (a) Discuss the main features of process costing? Under what situations this method is useful?**[7M]**

(b) The finished product of a manufacturing company passes through three processes. viz., I, II & III. The Normal wastage in each process is 5%,7% and 10% for the processes I,II & III respectively (calculated with reference to the number of units fed into each process). The scrap generated out of wastage has a sale value of 70 paise per unit, 80 paise per unit and Rupee 1 per unit in the processes I,II & III respectively. The output of each process is transferred to the next process and the finished output emerges from the process III are transferred to stock. There was no stock of WIP in any process in a particular month. The details of cost data for the month are as given in Table 4: **[7M]**

Table 4

Particulars	**Processes**		
	I	II	III
Materials used (Rs.)	120000	40000	40000
Direct labour cost (Rs)	80000	60000	60000
Production expenses (Rs.)	40000	40000	28000
Output in units (actual)	38000	34600	32000

Process I was fed with 40000 units of raw input at cost of Rs.3,20,000.Prepare the process accounts.

UNIT – III

5. (a) From the following data, given in Table 5 you are required to calculate break even point and net sale value at this point. **[7M]**

Table 5

Particulars	**Rs.**
Direct material cost per unit	10
Direct labor cost per unit	5
Fixed overhead	50000
Variable Overheads @ 60% on direct labour	
Selling price per unit	25
Trade discount	4%

If sales are 10% and 25% above the break even volume, determine the net profits.

(b) Briefly explain the managerial applications of marginal costing. **[7M]**

6. (a) If selling price Rs.20 per unit, variable manufacturing cost Rs.11 per unit, fixed overheads Rs.5,40,000 per year compute

i. BEP in amount of sales in rupees

ii. No. of units that must be sold to earn a profit of Rs.60,000 **[7M]**

(b) Distinguish between marginal costing and absorption costing. **[7M]**

UNIT – IV

7. (a) The expenses for the production of 5000 units in a factory are given in Table 6 as follows: **[7M]**

Table 6

Particulars	**Rs. per unit**
Materials	50
Labour	20
Variable overheads	15
Fixed overheads (Rs.50000)	10
Administrative expenses (20% variable)	10
Selling expenses (20% fixed)	6
Distribution expenses (10% fixed)	5
Total cost of sales per unit	116

You are required to prepare a budget for the production of 8000 Units.

(b) Distinguish between cost audit and financial audit **[7M]**

8. (a) ABC International school has a total of 150 students consisting of 5 sections with 30 students per section. The school plans for a picnic around Mysore city during the weekend to places such as the Zoo, the amusement park, the planetarium etc. A private transport operator has come forward to lease out the buses for taking the students. Each bus will have a maximum capacity of 50 (excluding 2 seats reserved for the teachers accompanying the students). The school will employ two teaches for each bus, paying them an allowances of Rs. 250 per teacher. It will also lease out the required number of buses. The following are the other estimates given in Table 7: **[7M]**

Table 7

Particulars	**Cost per student**
Breakfast	Rs.25
Lunch	Rs.50
Tea	Rs.10
Entrance fee at Z00	Rs.5

Rent Rs. 10650 per bus.Special permit fee Rs. 500 per bus.Block entrance fee for the entire team at the planetarium Rs. 2520.Prize to all the students for games Rs. 2500.No costs are incurred in respect of the accompanying teachers (except the allowance of Rs. 250 per teacher).

You are required to prepare:

i. A flexible budget estimating the total cost for the levels of 30, 60, 90, 120 and 150 students. Each item of cost is to be indicated separately.
ii. Compare the average cost per student at these levels

(b) Explain in detail the classification of budgets according to time. **[7M]**

UNIT – V

9. (a) What is standard Costing? What are the steps involved in the standard costing system? **[7M]**

(b) A factory is engaged in producing a product two grade of material A and B mixed in the ratio of 5:3, the standard price of material A is Rs. 5 per unit and that of B Rs. 4 per unit. Normal loss in production is expected at 10%. Due to shortage of materials it was not possible to use the standard mix. However, normal loss is still expected to be 10% as earlier. The actual result is as follows: **[7M]**

Material A 250 units at Rs.4.80 and material B 150 units at Rs.4.60

Actual production 364 units.

Calculate:

i. Material price variance
ii. Material mix variance.
iii. Material yield variance.
iv. Material cost variance

10. (a) How standard costing is related to budgetary control? **[7M]**

(b) From the following information, given in Table 8 compute: **[7M]**

i. Material cost variance
ii. Material price variance
iii. Material usage variance
iv. Material mix variance
v. Material yield variance.

Table 8

Material	**Standard Quantity (kilos)**	**Total Rs. Unit price Rs.**	**Actual Quantity Rs.**	**Actual Unit price Rs.**
A	10	2	5	3
B	20	3	10	6
C	20	6	15	5
Total	50	11	30	14