

19. (a) Define standard cost and standard costing.
What are its advantages and limitations?

Or

- (b) What is variance in standard costing and explain the types of variances used in standard costing?

20. (a) Explain various phases of life cycle costing.

Or

- (b) Give the checklist indicates the detailed information pertaining to turning points in product life cycle.

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M.B.A. (CBCS). DEGREE EXAMINATION,
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First Semester

Business Administration

MANAGEMENT ACCOUNTING

(For those who joined in July 2012 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Business is distinct from owner. This concept is called
 - (a) Business entity
 - (b) going concern
 - (c) money measurement
 - (d) cost



2. A "Mine" is example of
(a) Current asset (b) Fixed asset
(c) Liquid asset (d) Wasting asset
3. Margin of safety is the difference between actual sales and
(a) Investment (b) Variable cost
(c) Total cost (d) Budgeted sales
4. A method where cost are collected and accumulation for each work separately is
(a) Job costing (b) Contract costing
(c) Process costing (d) Unit costing
5. Which of the following budget is prepared first?
(a) Cash budget (b) Flexible budget
(c) Master budget (d) Key factor budget
6. Budgets are necessary components of financial decision – making because they help to provide
(a) An efficient allocation of resources
(b) Means to use of firms resources
(c) Automatic corrective mechanism of resources
(d) Both (a) and (b)

7. Basic standards are known as
(a) Ideal standard
(b) Current standard
(c) High standard
(d) Measurement standard
8. While evaluating deviations of actual cost from standard cost, the technique used is
(a) Regression analysis
(b) Variance analysis
(c) Trend analysis
(d) Linear analysis
9. Target costing can be best used in situations where
(a) The customer can absorb any increase in price
(b) There is niche market to be serviced
(c) There is competition
(d) Both (b) and (c) above



10. Which of the following denotes a target cost?
- (a) Market price – desired profit margin
 - (b) Standard selling price – standard profit margin
 - (c) Standard selling price – standard profit margin
 - (d) Desired selling price – desired profit margin

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).
Each answer should not exceed 250 words.

11. (a) Distinguish between profit and loss account and balance sheet.

Or

- (b) What are the various classifications of assets?

12. (a) What is CVP analysis and state its features?

Or

- (b) You are required to calculate :

- (i) P.V ratio
- (ii) Margin of safety
- (iii) Sales
- (iv) Variable cost from the following figures.
Fixed cost Rs. 12,000; Profit Rs. 1,000; Break even sales Rs. 60,000.

13. (a) What the important factors determining for preparation of production budget?

Or

- (b) State various factors determining for preparation of sales budget.

14. (a) What is Labour variance and examine various categories of labour variance.

Or

- (b) What is overhead variance and explain major classes of overhead variance?

15. (a) A company XYZ Ltd. has the production capacity of 1,00,000 units and currently selling 40,000 units at Rs. 100 per unit. The demand can make fluctuations in the selling prices and it has been observed that demand increases in two-fold with every reduction of Rs. 10 in selling price. Find out the target cost at full capacity if profit margin on sales is taken as 30%.

Or

- (b) State the benefits of target costing.



PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Briefly explain the various methods of providing depreciation and their merits and demerits.

Or

- (b) On July 1, 2007 Granite Limited, purchases second hand machine for Rs. 40,000 and reconditioned the same by spending Rs. 6,000. On January 2008 a new machine was purchased for Rs. 24,000. On June 30 2009 the machine purchased on January 1 2008 was sold for Rs. 16,000 and another machine installed at a cost of Rs. 3,000. The company writes off 10% on original cost every year on March 31. Show the machinery account update.

17. (a) What is process costing and explain the features of process costing?

Or

- (b) Assuming that the cost structure and selling prices remain the same in periods I and II find out : (i) P/V ratio (ii) B.E sales (iii) Profit when sales are Rs. 1,00,000 (iv) Sales required to earn a profit of Rs. 20,000 (v) Margin of safety in IInd period.

Period	Sales (Rs.)	Profit (Rs.)
I	1,20,000	9,000
II	1,40,000	13,000

18. (a) From the particulars given below prepare a Cash Budget for the month June 2008.

- (i) Expected sales :

April 2008 - Rs. 2,00,000; May - Rs. 2,20,000; June - Rs. 1,90,000

Credit allowed to customers is two months and 50% of the sales of every month is on cash basis.

- (ii) Estimated purchases :

May - Rs. 1,20,000; June - Rs. 1,10,000; 40% of the purchase of every month is on cash basis and the balance is payable next month.

- (iii) Rs. 2,000 is payable as rent every month.



- (iv) Time lag in payment of overhead is $\frac{1}{2}$ month.

Overhead : for May Rs. 12,000; for June - Rs. 11,000.

- (v) Depreciation for the year is Rs. 12,000.
 (vi) Interest receivable on investment during June and December is Rs. 3,000.
 (vii) Estimated cash balance as on 1.6.2008 is Rs. 50,000.

Or

- (b) SPN & Co. manufactures two products J and K and sells them through two divisions North and South. For the purpose of submission of sales budget to the budget committee, the following information has been made available.

Budget sales for the current year were :

Product	North	South
J	800 at Rs. 9	1,200 at Rs. 9
K	900 at Rs. 21	1,500 at Rs. 21

Actual sales for the current year were :

Product	North	South
J	1,000 at Rs. 9	1,400 at Rs. 9
K	600 at Rs. 21	1,200 at Rs. 21

Market researches reveal that product J is popular but under priced. It is observed that if price of J is increased by Re. 1 it will find a ready market. On the other hand, K is overpriced to customers and market could absorb more if sales price of K be reduced by Re. 1. The management has agreed to give effect to the above price changes. From the information based on these price changes and reports from salesmen, the following estimates have been prepared by divisional managers.

Percentage increase in sales over current budget is

Product	North	South
J	+10%	+5%
K	+20%	+10%

With the help of an intensive advertisement campaign the following additional sales above the estimated sales of divisional managers are possible.

Product	North	South
J (units)	120	140
K (units)	120	150

You are required to prepare a budget for sales incorporating the above estimates and also show the budgeted and actual sales of the current year.

