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M.B.A. (CBCS) DEGREE EXAMINATION, NOVEMBER 2019.

First Semester

Business Administration – Core

ACCOUNTING FOR MANAGEMENT

(For those who joined in July 2016 and afterwards)

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Debit the receiver, credit the giver is rule for

(a) Personal account

(b) Real account

(c) Nominal account

(d) Representative personal account

19. (a) Briefly explain the various types of material variances.

Or

(b) From the data given below, calculate Labour variances for the two departments.

	Department A	Department B
Actual gross wages (direct)	20,500	17,980
Standard hours produced	8,000	6,000
Standard rate per hour	Rs. 3	Rs. 3.50
Actual hours worked	8,200	5,800

20. (a) Describe the procedure involved in target costing.

Or

(b) Discuss the various advantages and disadvantages of activity based costing.

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2. Cost of the asset minus scrap value/Life of the asset is the formula of

(a) Diminishing balance method

(b) Annuity method

(c) Straight line method

(d) Sum of digits method

3. The main purpose of cost accounting is to

(a) Maximise profits

(b) Help in inventory valuation

(c) Provide information to management for decision-making

(d) Aid in the fixation of selling price

4. Which one of the following constitutes the cost of production

(a) Works cost + Office and Administration overheads

(b) Prime cost + Factory overheads

(c) Works cost + Prime cost

(d) Works cost + Selling and distribution overheads

5. A Flexible Budget is

(a) Budget for different capacity levels

(b) Budget for different departments

(c) Budget for receipts and payments

(d) None of the above

6. Zero base Budgeting refers to

(a) Short term and Long term Budgeting

(b) Performance reporting

(c) Responsibility Accounting

(d) Justification of every item in the budget afresh

7. The difference between actual cost and standard cost is known as

(a) Loss

(b) Profit

(c) Differential cost

(d) Variance

8. Material mix variance is a sub-variance of

(a) Material yield variance

(b) Material quantity variance

(c) Material price variance

(d) Material cost variance

9. Activity-based costing

(a) Uses a plant-wide overhead rate to assign overhead

(b) Is not expensive to implement

(c) Typically applies overhead costs using direct labour-hours

(d) Uses multiple activity rates

10. An estimated cost per unit in long run, which enables company to achieve it's per unit target, operating income is classified as

(a) Target operating income per unit

(b) Target cost per unit

(c) Total current full cost

(d) Total cost per unit

PART B — (5 × 5 = 25 marks)

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

11. (a) What is trial balance? Explain the purposes for preparing it.

Or

(b) A machine was purchased on 1st July 2015 at a cost of Rs.14,000 and Rs.1,000 was spent on its installation. The depreciation is written off at 10% on the written down value method every year. The books are closed on 31st March each year. The machine was sold for Rs.9,500 on 31st March 2018. Show machinery account for all the years.

12. (a) Distinguish between absorption costing and marginal costing.

Or

(b) During the year 2014, X Ltd., produced 50,000 units of a product. The following were the expenses:

Particulars	Rs.
Stock of raw materials on 1-4-18	10,000
Stock of raw materials on 31-03-19	20,000
Purchases	1,60,000
Direct wages	75,000
Direct expenses	25,000
Factory expenses	37,500
Office expenses	62,500
Selling expenses	25,000

You are required to prepare a cost sheet showing cost per unit and total cost at each stage.

13. (a) Explain the procedure involved in budgetary control.

Or

(b) Write a detailed note on 'Zero-Based budgeting'.

14. (a) Explain the merits and demerits of standard costing.

Or

(b) From the following particulars calculate:

(i) Material Cost Variance

(ii) Material Price Variance

(iii) Material Usage Variance.

The Standard Mix of Product is:

X 300 Units at Rs. 7.50 per unit

Y 400 Units at Rs. 10 per unit

Z 500 Units at Rs. 12.50 per unit

The Actual Consumption was:

X 320 Units at Rs. 10 per unit

Y 480 Units at Rs. 7.50 per unit

Z 420 Units at Rs. 15 per unit

15. (a) Define Life Style costing. Explain its importance.

Or

(b) What are the advantages of target costing?

PART C — (5 × 8 = 40 marks)

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

16. (a) Briefly explain the various methods of depreciation.

Or

(b) From the following Trial balance, prepare the trading and profit and loss a/c for the year ended March 31, 2019, and a balance sheet as at that date.

Trial Balance of Mr. Mani as on 31.03.2019

	Dr. Rs.	Cr Rs.
Capital	–	40,000
Sales	–	25,000
Purchases	15,000	–
Salaries	2,000	
Rent	1,500	–
Insurance	300	–
Drawings	5,000	–
Machinery	28,000	–
Bank	4,500	–
Cash	2,000	–
Stock	5,200	
Debtors	2,500	–
Creditors	–	1,000
	66,000	66,000

Adjustment required:

(i) Stock on hand at 31.03.2019. Rs. 4,900

(ii) Salaries owing's Rs. 300

(iii) Rent paid in advance Rs. 200

(iv) Insurance prepaid Rs.90.

17. (a) Explain the various applications of marginal costing.

Or

(b) You are required to compile a statement showing cost and profit from the information given, showing clearly:

(i) Material consumed

(ii) Prime cost

(iii) Works cost

(iv) Cost of production

(v) Cost of sales

(vi) Profit and

(vii) Sales.

Particulars	Rs.
Material purchased	2,00,000
Wages	1,00,000
Direct expenses	20,000
Opening stock of materials	40,000
Closing stock of materials	60,000

Factory overhead is absorbed at 20% on wages. Administration overhead is 25% on the works Cost. Selling and distribution overhead is 20% on the cost of production. Profit is 20% on sales.

18. (a) Describe the various types of budgets.

Or

(b) Prepare a flexible budget for overheads on the basis of data given below. Ascertain overhead rates at 50 per cent and 70 per cent capacity.

	At 50% capacity Rs.	At 60% capacity Rs.	At 70% capacity Rs.
Variable overheads:			
Indirect Material		6,000	
Indirect labour		18,000	
Semi-variable overheads:			
Electricity (40% fixed)		30,000	
Repairs and Maintenance (20% variable)		3,000	
Fixed overhead:			
Depreciation		16,500	
Insurance		4,500	
Salaries		15,000	
Total overheads		93,000	

Estimated Direct Labour hours 1,86,000 hrs.