Printed Pages : 4

MBA026

(Following Paper ID and Roll No. to be filled in your Answer Book)

PAPER ID : 7115

Roll No. | | | | | | | | | | |

M.B.A.

(SEMESTER-II) THEORY EXAMINATION, 2011-12

COST & MANAGEMENT ACCOUNTING

Time : 3 Hours] *[Total Marks : 100*

Note : Attempt questions from **all** Sections as directed.

Section – A

1. Answer following questions : **$10 \times 2 = 20$**

   (a) Define zero based budgeting.

   (b) Can Break-even analysis be applied without segregating costs into fixed and variable ? Comment.

   (c) Explain in brief why higher margin of safety represents higher safety.

   (d) What is variance analysis ?

   (e) Enumerate two applications of marginal costing.

   (f) What is P/V ratio ?

   (g) Differentiate Fixed Cost and Sunk Cost.

   (h) Differentiate Marginal Cost and Variable Cost.

   (i) Differentiate Fixed and Flexible Budget.

   (j) Differentiate Investment and Cost Centre.

Section – B

2. Answer any **three** out of the following **five** : **$3 \times 10 = 30$**

   (a) 'Management Accounting commences where Cost Accounting ends.' Discuss this statement in view of difference between Cost and Management Accounting.

   (b) What is included in labour cost ? Explain the nature of direct and indirect labour cost.

(c) What are the uses of cost volume profit analysis ? Explain the assumption underlying the CVP analysis.

(d) Enumerate the various factors which should be considered while preparing the sales budget and the production budget.

(e) A company has earned a contribution of ₹ 2,00,000 and net profit of ₹ 1,50,000 on a sale of ₹ 8,00,000. What is margin of safety ?

Section – C

Attempt **all** questions.

3. The ratio of variable cost to sales is 70 percent. The break-even point occurs at 60 percent of the capacity sales. Find the capacity sales when fixed costs are ₹ 90,000. Also compute profit at 75 percent of the capacity sales. **10**

OR

The standard cost of a certain chemical mixture is :

40% material A at ₹ 200 per ton

60% material B at ₹ 300 per ton

A standard loss of 10 percent is expected in production. During a period the following materials are used :

90 tons of material A @ ₹ 180 per ton

110 tons of material B @ ₹ 340 per ton.

The weight of finished product is 180 tons.

Calculate (a) Material price variance (b) Material usage variance (c) Material mix variance.

10

4. From the following you are required to calculate :

(a) Material price variance

(b) Material usage variance &

(c) Material cost variance

Quantity of material purchased : 3000 units

Value of material purchased : ₹ 9,000

Standard quantity of material required for one ton of finished product : 25 units

Standard rate of material : ₹ 2 per unit

Opening stock of material : Nil

Closing stock of material : 500 units

Finished production during the period : 80 tons

OR

During the current year, AB Ltd. showed a profit of ₹ 1,80,000 on a sale of ₹ 30,00,000. The variable expenses were ₹ 21,00,000.

You are required to work out :

(a) The break-even sales at present.

(b) The break-even sale if variable cost is increased by 5 percent.

(c) The break-even sale to maintain the profits as at present, if the selling price is reduced by 5 percent.

5. Prepare marginal cost statement from the following particulars : **10**

Variable Costs	**₹**	**Fixed Costs**	**₹**
Direct material	4,500	Administrative expenses	1,250
Direct wages	2,500	Profit	5,250
Factory overheads	1,500	Sales	15,000

OR

Standard labour cost of a job has been specified as 50 hours work by skilled workers @ ₹ 20 per hour and 150 hours work by unskilled workers @ ₹ 10 per hour. Actual time taken was 70 hours by skilled workers @ ₹ 18 per hour and 170 hours by unskilled workers @ ₹ 13 per hour. Calculate :

(a) Labour mix variance

(b) Labour yield variance &

(c) Labour cost variance

6. A group of 10 skilled and 20 unskilled workers were expected to produce 400 units of a product in 8 hours a day. The standard hourly rate was fixed at ₹ 25 and ₹ 15 respectively.

Actually a group of 15 skilled and 10 unskilled workers were deployed and paid for 8 hour day at an hourly rate of ₹ 22 and 18 respectively. Two hours were wasted for the entire group due to power failure and only 300 units were produced. Calculate :

(a) Labour cost variance

(b) Labour rate variance &

(c) Labour mix variance. **10**

OR

Prepare income statement under absorption costing and under marginal costing from the following :

Fixed cost : ₹ 35,00,000, Variable cost : ₹ 200 per unit, Production : 10000 units, Sales : 7000 units @ ₹ 800 per unit, Closing stock : 3000 units.

7. 'All cost are variable in the long run.' Discuss in view of the importance of the cost classification based on the variability in relation to the level of activity. **10**

OR

Explain 'activity based costing' and how it may provide useful information to managers. Illustrate with the help of two examples.
