

Total No. of printed pages = 6

4 (Sem-2) MMAC

2018

MANAGEMENT ACCOUNTING

Paper : 205(A)

(Accountancy Major)

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. (a) State whether the following statements are correct or incorrect. 1×5=5
 - (i) Financial Accounting is the base of Management Accounting.
 - (ii) Contribution is the difference between the sales and the total cost.
 - (iii) Zero-base budgeting was first used in America.
 - (iv) In order to control costs, a concern may use either budgetary control or standard costing but not both of these techniques.

[Turn over

(v) Flexible budgets change with the level of activity.

(b) Fill in the blanks with appropriate word(s) :

1×5=5

(i) Management Accounting is concerned with — reporting.

(ii) In marginal costing, stock of finished goods is valued at — .

(iii) P.V Ratio can be — by increasing selling price.

(iv) Standard cost is a — cost.

(v) Idle time variance is idle time × —.

2. Answer the following questions : 2×5=10

(a) State two limitations of Financial Accounting.

(b) Define 'Marginal cost'.

(c) Mention two assumptions of break-even analysis.

(d) What is 'budget-manual' ?

(e) Give the formula of Labour Efficiency Variance.

3. Answer the following questions : $5 \times 4 = 20$

- (a) Explain the relationship between Financial Accounting and Management Accounting.
- (b) What is Profit-Volume Ratio? Describe its importance.

Or

A firm provides you the following information :

Variable cost per unit Rs.15

Fixed expenses Rs. 54,000

Selling price per unit Rs. 20

What should be the new selling price per unit, if the break-even point is to be brought down to 6,000 units ?

- (c) Discuss the objectives of budgetary control.
- (d) Write a note on "Performance budgeting".

Or

Explain 'Controllable variance' and 'Uncontrollable variance'.

4. "Management Accounting is concerned with information which is useful to management." Explain the statement highlighting the nature of information referred to. 10

Or

Discuss Management Accounting as a tool of planning and exercising control. 10

5. The expenses budgeted for production of 10,000 units in a factory are furnished below : 10

	Rs per unit
Material	70
Labour	25
Variable overheads	20
Fixed overheads (Rs.100,000)	10
Variable expenses (direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Management expenses (Rs.50,000)	5
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	Total = 155

Assuming that management expenses are rigid for all levels of production, prepare a flexible budget for the production of 8,000 units and 6,000 units.

Or

Describe the essential steps for adoption of a budgetary control system. 10

6. Explain the importance of the following in relation to marginal costing. $5+5=10$

(a) Contribution

(b) Margin of safety.

Or

A company has annual fixed cost of Rs. 1,40,000. In 2017 sales amounted to Rs. 6,00,000 as compared with Rs. 4,50,000 in 2016. The profit in 2017 was Rs. 42,000 higher than in 2016.

(i) Find the break-even sales of the company.

(ii) If there is reduction in selling price in 2018 by 10% and the company desires to earn the same amount of profit as in 2017, what would be the required sales volume ?

$4+6=10$

7. What is Variance Analysis? Explain its significance for managerial decision making purpose. $4+6=10$

Or

A furniture company uses sunmica tops for tables. It provides you the following data :

Standard quantity of sunmica per table 4sq. ft.

Standard price per sq. ft of sunmica Rs. 5

Actual production of table 1,000 numbers

Sunmica actually used 4,300 sq.ft

Actual purchase price of sunmica per sq. ft
Rs. 5.50.

Calculate

(i) Material cost variance

(ii) Material price variance

(iii) Material usage variance.

10