2020

BUSINESS ADMINISTRATION — HONOURS

Fifteenth Paper

[Financial Management Group]

(Management Accounting : Performance Measurement and Decision Making)

Full Marks : 100

(Time : 2 hrs.)

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

[Performance Measurement]

(Marks : 50)

Answer ***any two*** questions. 25×2

1. Define "Responsibility Accounting". State its advantages and disadvantages.

2. (a) "Budget is an aid to management and not a substitute for management."— Comment.

(b) "Flexible Budgets are more realistic and useful than Fixed Budgets." Do you agree? — Explain.

3. From the following information, compute collections from debtors for the months of June, July and August :

	April	**May**	**June**	**July**	**August**
Sales in Rupees	10,000	1,20,000	90,000	1,05,000	1,25,000

20% of sales are made in cash. Debtors are allowed 2 months credit and will receive 5% cash discount if they pay off dues within the month next to the month of sale. 4/5th of the debtors normally clear their dues to avail the cash discount. Remaining debtors pay on the due date.

4. The following information are furnished to you :

Standard quantity of raw materials required for producing Product X :	5Kg per unit
Standard price of raw materials :	₹ 10 per Kg
The actual production details during a month are as follows :	
Number of units of Product X produced	1000 units
Actual quantity of raw materials used	5500 Kg
Actual price of raw materials	₹ 11 per Kg

Calculate :

(i) Material Cost Variance, (ii) Material Price Variance, (iii) Material Usage Variance.

5. Presented below are the Balance Sheet of Joy Ltd. as at March 2019 and 2018.

Particulars	**Notes No.**	**31.03.2019 ₹**	**31.03.2018 ₹**
I. EQUITY AND LIABILITIES :			
1. Shareholders Fund			
(a) Share Capital			
(i) Equity Share Capital		43,00,000	40,00,000
(b) Reserves and Surplus		6,40,000	9,80,000
2. Non-Current Liabilities			
(a) Long-term Borrowing		20,50,000	22,00,000
(i) Debenture		6,50,000	8,00,000
3. Current Liabilities			
(a) Trade Payable			
(b) Short-term Provision		1,25,000	1,00,000
TOTAL		**77,65,000**	**80,80,000**
II. ASSETS :			
1. Non-Current assets :	1		
(a) Property, Plant and Equipment		51,00,000	52,00,000
2. Current Assets :			
(a) Inventories		14,00,000	15,50,000
(b) Trade Receivables		8,00,000	6,50,000
(c) Cash and Cash Equivalents		4,00,000	6,00,000
(d) Other Current Assets :			
(i) Prepaid Expenses		65,000	80,000
TOTAL		**77,65,000**	**80,80,000**

Notes to the Financial Statement	**31.03.19 ₹**	**31.03.18 ₹**
1. Property, Plant and Equipment		
(a) Land	15,00,000	18,00,000
(b) Building	25,00,000	25,00,000
Less : Provision for Depreciation	6,00,000	5,00,000
	19,00,000	20,00,000
(c) Equipments	20,00,000	16,00,000
Less : Provision for Depreciation	3,00,000	2,00,000
	17,00,000	14,00,000
Total (a+b+c)	**51,00,000**	**52,00,000**

***Additional information* :**

1. Land was sold at profit of ₹ 50,000.
2. Dividend paid during the year ₹ 4,50,000.
3. Net Profit for the year ₹ 1,80,000.
4. Equipment costing ₹ 6,00,000 was purchased and costing ₹ 2,00,000. With a book value of ₹ 40,000 was sold for ₹ 30,000.
5. Debentures were redeemed at face value by issuing shares at par.
6. Amount transferred to Provision for Taxation during the year ₹ 1,60,000.

Prepare a Cash Flow Statement as per AS 3 for the year ended March 31, 2019.

6. You are required to draw a Flexible Budget for Overhead items on the basis of the following data determine overhead rates at 70%, 80%, and 90% plant capacity.

Variable Overheads	**At 80% capacity** ₹
Indirect Labour	12,000
Sales including spares	4,000
Semi-variable Overheads	
Power (30% Fixed)	20,000
Repairs and Maintenance (60% Fixed)	2,000
Fixed Overheads	
Depreciation	11,000
Insurance	3,000
Salaries	10,000
Total Overheads	**62,000**

Estimated Direct Labour Hours 124000 hours.

7. What do you mean by Responsibility Performance Reporting? Give a specimen Responsibility Report to provide relevant information to three levels of Responsibility centers in a Manufacturing Enterprise— Foreman, Production Manager and General Manager.

8. A company manufacturing two products furnishes the following data for a year :

Product	**Annual Output (Units)**	**Total Machine Hours**	**Total Number of Purchase Orders**	**Total Number of Set-ups**
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under :	₹
Volume related activity costs	5,50,000
Set-up related costs	8,20,000
Purchase related cost	6,18,000

You are required to calculate the overhead cost per unit of each product A and B based on :

(i) Traditional method of changing overheads

(ii) Activity based costing method.

9. Write short notes on :

(a) Diversional performance measurement.

(b) Cost Pools and Cost Drivers.

10. A company produces four products- M, N, O and P. The data relating to the production activity are as under :

Product	Quantity of production (Units)	Direct Materials Cost per unit in rupees	Direct Labour Cost per unit in rupees	Machine hours per unit
M	1000	10	6	0.50
N	10000	10	6	0.50
O	1200	32	24	2.00
P	14000	34	18	3.00

Production overheads are as follows:

(i) Material related cost	(in Rupees)	1,49,700
(ii) Material ordering costs	(in Rupees)	7,680
(iii) Set-up costs	(in Rupees)	17,400

The following further information are available:

Product	Number of set-ups	Number of Materials order
M	3	3
N	18	12
O	5	3
P	24	12
Total	**50**	**30**

You are required to :

(a) Select a suitable cost driver for each item of production overhead and calculate overhead charge per unit of respective cost driver.

(b) Compute factory cost per unit of each product by recovering overheads using Activity Based Costing.

Group - B

[Decision Making]

(Marks : 50)

Answer ***any two*** questions. 25×2

11. 1000 Kg of a particular raw material is put into a common process, yielding three joint products A, B and C. The weights of three products are 180 kgs, 220 kgs and 500 kgs respectively. The balance in weights is considered as normal wastage. Based on total processing cost of ₹ 30,000 per thousand kgs of raw materials, you are required to apportion the joint cost to three products A, B and C on the basis of physical weightage.

12. The estimated cost of producing 8000units of a product are as follows :

	Per unit (₹)	Total (₹)
Direct Material cost	15	1,20,000
Direct Wages	10	80,000
Direct Expenses	2	16,000
Factory Overhead (Variable)	3	24,000
Factory Overhead (Fixed)	5	40,000
Total	**35**	**2,80,000**

The same product can be purchased from the market at a price of ₹ 32 per unit. If the product is purchased from the market, 60% of the fixed factory overhead will be saved.

Should the company make the product or buy it from the market?

13. Write the differences between Joint Products and By Products.

14. Write short notes on :
(a) Make or Buy decision when the facility has alternative uses
(b) Breakeven Point.

15. P/V Ratio = 50%
Sales value = ₹ 10,00,000
Margin of Safety = 40%
Calculate :
(a) Fixed Cost
(b) Profit
(c) How much additional sales would be necessary to increase the above profit ₹ 50,000?

16. X Ltd. produces two products A and B, the details of which are given below :

Particulars	A	B
Selling price per unit	80	60
Raw material cost per unit	40	36
Direct wages per unit	10	6
Chargeable expenses per unit	2	2
Variable overhead (100% of direct wages chargeable expenses)	12	8

Total Fixed cost is ₹ 3,200

Three proposed sales mix are given below :

(1) Product A = 100 units Product B = 200 units

(2) Product A = 150 units Product B = 150 units

(3) Product A = 200 units Product B = 100 units

You are required to show which sales mix is profitable for the organization.

What would be the proposed sales mix to earn a profit of ₹ 1,200 with total sales unit of both A and B be same as before?

17. Discuss about the Balance Score Card. What do you understand by Margin of Safety?

18. (a) Discuss about the basic assumptions of Marginal costing.

(b) The following data are obtained from the records of a company.

	Year I	Year II
Sales in rupees	80,000	90,000
Profit in rupees	10,000	14,000

Calculate Break Even Point.

19. Currently Y Ltd is manufacturing 2000 units of a product, the details of which are given below :

Selling Price per unit – ₹ 20

Variable cost per unit – ₹ 10

Total Fixed Cost – ₹ 8,000

Capacity is available to produce more products. Two alternatives are available before the management:

(a) To accept an export order for another 400 units @ ₹ 18 and fixed cost to increase by ₹ 1,000.

(b) To reduce production from current 2000 units to 1200 units and to 800 units from outside market @ ₹ 12 each. However fixed cost to be reduced by ₹ 2,000.

Which alternative to be accepted by the company?

20. Write notes on : (a) Sunk cost (b) Angle of incidence (c) Joint costs (d) Relevant costs.