

**PGDM, 2020-22**  
**Managerial Accounting**  
**DM-204**

**Trimester – II, End-Term Examination: January 2021**

Time allowed: 2 Hrs 30 Min  
Max Marks: 50

Roll No: \_\_\_\_\_

**Instruction:** Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. All other instructions on the reverse of Admit Card should be followed meticulously. There is internal choice in a few questions of Section A. Question of Section B are compulsory.

**Sec A: Total 30 Marks: All questions are of 10 Marks each**

**Q1. (5 Marks each×2 = 10 Marks)**

(a) Identify and explain the cost in each of the following situation

- 1) The Company is paying a rent of \$ 40,000 per annum for the factory building which is temporarily closed. The cost is \_\_\_\_\_.
- 2) A company is considering selling an old machine. The machine has a book value of \$ 70,000. In evaluating the decision to sell the machine, the \$ 70,000 is a \_\_\_\_\_.
- 3) As an alternative to the old machine, the company can rent a new one. It will cost \$ 18,000 a year. In analysing the cost-volume behaviour the rental is \_\_\_\_\_.
- 4) To purchase a new machine company withdraws \$ 40,000 from its Bank Deposit. This drawing will be treated as \_\_\_\_\_.
- 5) The machine mentioned in (2) could be sold for \$48,000. If the firm considers retaining and using it, the \$48,000 is a \_\_\_\_\_.

(b) How are period cost different than product cost, explain with an example.

**(CILO: 1)**

OR

**Q1. Answer any two:**

**(5 Marks each\*2 = 10 Marks)**

- i. Has the role of managerial accounting changed because of change in business environment? How?
- ii. How the meaning of the term 'sunk costs' with the help of examples?
- iii. Why are indirect costs not directly traced to cost objects in same way as direct costs?

**(CILO: 1)**

Q2. Pure Drinks Ltd wants you to analyse the profitability of its five customers, it recently acquired. It buys soft drink bottles in cases at `45 per case and sells them to retail customers at a list price of `54 per case. The data pertaining to five customers are given below:

Particulars	Customers				
	A	B	C	D	E
Number of Cases Sold	9,360	14,200	62,000	38,000	9,800

List Selling Price `	54	54	54	54	54
Actual Selling Price `	54	53.4	49	50.2	48.6
Number of Purchase Orders	30	50	60	50	60
Number of Customers Visits	4	6	12	4	6
Number of Deliveries	20	60	120	80	40
Kilometers Travelled Per Delivery	40	12	10	20	60
Number of Expedite Deliveries	0	0	0	0	2

Its five activities and their cost drivers are:

Activity	Cost Driver
Order taking	`200 per purchase order
Customer visits	`300 per customer visit
Deliveries	`4.00 per delivery km travelled
Product handling	`2.00 per case sold
Expedited deliveries	`100 per each such delivery

Required:

(1) Compute the operating income

customers by using the Cost Driver rates.

(2) Examine the result to give your comments on customer 'D' in comparison with customer 'C' and on customer 'E' in comparison with customer 'A'.

customer level  
of each of five retail

**(CILO: 2)**

OR

Q2. "The Chill: A Hotel" is being run in a hill station with 200 single rooms. The hotel offers concessional rates during six offseason months in a year. During this period, half of The full room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and other details for the year ending 31st March, 2020:

(1) Occupancy during the season is 80% while in the off-season it is 40%.

(2) Total investment in the hotel is `300 lakhs of which 80% relates to Building and the balance to Furniture and other Equipment.

(3) Room attendants are paid `15 per room per day on the basis of occupancy of rooms in a month.

(4) Expenses:

Staff Salary (excluding that of room attendants) `8,00,000

Repairs to Buildings `3,00,000

Laundry Charges `1,40,000

Interior Charges `2,50,000

Miscellaneous Expenses `2,00,200

(5) Annual depreciation is to be provided on Building @ 5% and 15% on Furniture and other Equipment on straight line method.

(6) Monthly lighting charges are `110, except in four months in winter when it is `30 per room and this cost in on the basis of full occupancy for a month.

You are required to work out the room rent chargeable per day both during the season and the off-season months using the foregoing information. (Assume a month to be of 30 days and winter season to be considered as part of off-season).

**(CILO: 2)**

Q3. BS Limited manufactures one standard product and operates a system of variance accounting using a fixed budget. As assistant management accountant, you are responsible for preparing the monthly operating statements. Data from the budget, the standard product cost and actual data for the month ended 31 October are given below.

Using the given data, you are required to prepare the operating statement for the month ended 31 October to show the budgeted profit; the variances for direct materials, direct wages, overhead and sales, analyzed into causes; and actual profit.

Budgeted and standard cost data:

Budgeted sales and production for the month: 10,000 units

Standard cost for each unit of product:		
Direct material	X	10kg at \$1 per kg
	Y	5kg at \$5 per kg
Direct wages		5 hours at \$3 per hour
Fixed production overhead is absorbed at 200 per cent of direct wages		

Budgeted sales price has been calculated to give a profit of 20 percent of sales price

Actual data for month ended 31 October:

Production: 9500 units sold at a price of 10 per cent higher than that budgeted

Direct materials consumed:

X 96000 Kg at \$1.20 per Kg

Y 48000 kg at \$4.70 per kg

Direct wages incurred 46000 hours at \$3.20 per hour. Fixed production overhead incurred \$2,90,000.

**(CILO 3)**

OR

Q3. (a) A manufacturing company has an installed capacity of 1,20,000 units per annum. The cost structure of the product manufactured is as under:

(i) Variable cost per unit-

Materials.....\$ 8

Labour (subject to a minimum of \$56,000 per month)..... \$ 8

Overheads.....\$ 3

(ii) Fixed overheads..... \$ 1,68,750 per annum

(iii) Semi-variable overheads \$ 48,000 per annum at 60% capacity, which increase by \$ 6,000 per annum for increase of every 10% of the capacity utilisation or any part thereof for the year as a whole.

The capacity utilisation for the next year is estimated at 60% for two months, 75% for six months and 80% for remaining part of the year.

Required

If the company is planning to have a profit of 25% on the selling price, calculate the selling price per unit. Assume that there are no opening and closing stocks.

Q3(b). What are various measures of measuring performance of a division. Explain 2 financial and 1 non-financial measures. Also highlight advantages and short comings of each measure. (CILO: 3) (5 Marks)

**Sec B: Total 20 Marks: Compulsory**

The following account balances and distribution of indirect charges are taken from the accounts of a manufacturing concern for the year ending on 31st March, 2012.

Items	Total Amount	Production Departments			Service Departments	
		X	Y	Z	A	B
Indirect material	1,25,000	20,000	30,000	45,000	25,000	5,000
Indirect Labour	2,60,000	45,000	50,000	70,000	60,000	35,000
Superintendence Salary	96,000	-	-	96,000	-	-
Fuel & Heat	15,000					
Power	1,80,000					
Rent & Rates	1,50,000					
Insurance	18,000					
Meal Charges	60,000					
Depreciation	2,70,000					

The departmental data are also available:

Details	Production Departments			Service Departments	
	X	Y	Z	A	B
Area (Sq. ft)	4,400	4,000	3,000	2,400	1,200
Capital Value of Assets (Rs.)	4,00,000	6,00,000	5,00,000	1,00,000	2,00,000
Kilowatt Hours	3,500	4,000	3,000	1,500	-
Radiator Sections	20	40	60	50	30
No. of Employees	60	70	120	30	20

Expenses charged to the service departments are to be distributed to other departments by the following percentage:

Departments	X	Y	Z	A	B
A	30	30	20	-	20
B	25	40	25	10	-

Prepare an overhead distribution statement to show total overhead of production department after re-apportioning service departments overhead by using simultaneous equation method. Show all the calculation to the nearest rupee.