PGDM-IB, 2015-17

Managerial Accounting

IB 203

Trimester – II, End-Term Examination: December 2015

Time Allowed: 2 Hrs 30 mins **Max Marks: 50**

Sec A

(Answer any three questions out of five. Each question carries five marks)

1. 'Kaizen may help a company to grow over time– Discuss the concept of Kaizen with reasoning.

2. Discuss the significance and computational techniques of Marginal costing .

3. Chamaklal Ltd (CL) sells fancy glass products across the country. One of the popular product sold under the brand name of Chamakaina is actually a mirror. Information of average revenue and costs about Chamakaina are as follows:

Selling price per unit	Rs. 150.00
Variable costs per unit:	
Direct materials	Rs. 75.00
Direct manufacturing labor	Rs. 33.00
Manufacturing overhead	Rs. 5.00
Selling costs	Rs. 4.00
Annual fixed costs	Rs. 126,000

i) Calculate the contribution margin per unit.

ii) Calculate the number of units CL must sell each year to break even.

iii) Calculate the number of units CL must sell to yield a profit of Rs. 250,000.

4. Compare the activity based costing (ABC) and the tradition method of overhead allocation.

5. Explain the meanings and features of standard costing. Give suitable example to support your explanation.

Sec B

(Answer any two questions out of three. Each question carries ten marks)

6. The following July information is for Kiranmala & Company:

Standards:

Material	3.0 feet per unit @ INR4.20 per foot
Labor	2.5 hours per unit @ INR7.50 per hour

Actual:

Production	2,750 units produced during the month
Material	8,700 feet used; 9,000 feet purchased @ INR4.50 per foot
Labor	7,000 direct labor hours @ INR 7.90 per hour

(Round all answers to the nearest INR.)

i) What is the material price variance (calculated at point of purchase)?

ii) What is the labor rate variance?

iii) What is the labor efficiency variance?

iv) What is the material quantity variance?

(10 marks)

7. From the following particulars, find the most profitable product mix and prepare a statement of profitability of that product mix:

Particulars	Product A	Product B	Product C
Units budgeted to be produced and sold	1800	3000	1200

Selling Price/unit (Rs.)	60	55	50
Direct material /unit	5	3	4
Direct labour/unit	4	3	2
Variable Overhead/unit (Rs.)	7	13	8
Fixed overhead/unit (Rs.)	10	10	10
Cost of direct material / kg (Rs.)	4	4	4
Direct Labour Hour Rate (Rs.)	2	2	2
Maximum possible units of sales	4000	5000	1500

All the three products are produced from the same direct material using the same type of machines and labour. Direct material which is a key factor, is limited to 10000 units. Will your answer change if Direct Labour becomes the key factor limited to 18600 hours. (5+5) marks

8.

a) Distinguish between Life cycle costing and Target Costing

b) How the role of Management Accountant is different from a Financial Accountant

(5 marks x 2)

Sec C

(Compulsory*)*

9. Chamanlal Limited (CL) produces three different qualities of PAN MASALAs. These are coded ChamanSuper (CS), ChamanMediokar (CM) and ChamanInferior(CI). CL has a very modern automated plant for production. The following budget data has been obtained for the year ended 31st March

Particulars	CS	CM	CI
Direct material cost per unit (Rs.)	45	40	28
Direct labour hours per unit	4	5	3
Direct wages per unit (Rs.)	34.60	42.80	26.40
Machine hours / unit	2	4	3
Production quantity (Packs)	40000	25000	10000
Number of production batches	5	10	25

Number of sales orders	15	10	25

Budgeted production overheads for the year are:

Activity	**Rs.**
Inspection	270000
Machining Cost	830000
Material handling	230000
Packing	165000
Set up cost	163000
Total	**1658000**

At present the company absorbs production overhead costs to products by using a rate per machine hour for machine costs and a rate per direct labour hour for the remaining overheads. CL intends to introduce a system of activity-based costing. Cost drivers for the production overheads have been identified as follows:

Activity	**Cost Driver**
Inspection	Production batches
Machining	Machine hours
Material Handling	Component orders
Packing	Sales orders
Set-up	Production batches

Required

(a) Calculate the unit costs for each product using absorption costing.
(b) Calculate the unit costs for each product using ABC.
(c) Compare the unit costs provided by each costing system and comment on their impact if selling prices were CS Rs.95, CM Rs. 100 and CI Rs.1100 per unit.

(15 marks)