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MMS – II Semester
Question Paper - Term End Examination
Management Accounting

Time: 3 hours | **Marks: 100**

Note: Answer any five question questions. Figures in parentheses indicate marks for the respective question.

Q. 1. You are CEO of a medium sized company which manufactures ready made garments. This is the first year of the operations of the company. Explain, which management accounting practices you would like to follow to ensure effective management and control of the performance your company. **(20)**

Q.2.A) Answer briefly(give examples) **(12)**

a) What is the difference between cost of goods sold and cost of goods manufactured?
b) What is a relevant cost?
c) Define opportunity cost and sunk cost.
d) What does the term marginal cost mean.

B) Following are the descriptions of costs related to a Polee- Bhajee centre. **(8)**

a) Rent for the building
b) Cost of full time cooks
c) Cost of utilities (gas, telephone, electricity and trash)
d) Cost of cooking ingredients

Identify the fixed and variable costs from the above.

Q. 3 (A) The standard cost card shows the following details relating to the material needed to produce one kg of ground nut oil- **(10)**

Quantity of ground nut required	3 kgs.
Price of ground nut	Rs. 2.50 per kg
Actual data:-	
Production	1000 kgs
Quantity of ground nut used	3500 kgs
Price of ground nut	Rs.3/- per kg

Calculate:

a) Material price variance
b) Material usage variance
c) Material cost variance

contd.....2

(B) The standard and actual figures of Ashok Metal Works are as under: **(10)**

Standard time for the job	900 hours
Standard rate per hour	Rs. 0.50
Actual time taken	1000 hours
Actual wages paid	Rs. 450

Compute:

a) Labour rate variance
b) Labour efficiency variance
c) Labour cost variance

Q.4. A manufacturer manufacturers ready made garments and uses its cut-pieces of cloth to manufacture dolls. The following statement of cost has been prepared: **(20)**

Particulars	Ready made garments (Rs)	Dolls (Rs)	Total (Rs)
Direct material	78000	6000	84000
Direct labour	11000	1200	12200
Variable overheads	15500	2800	18300
fixed overheads	24500	3000	27500
Total costs	129000	13000	142000
Sales	150000	12000	162000
Profit(loss)	21000	(1000)	20000

The cut pieces used in dolls have a scrap value of Rs. 2000 if sold in the market. Advise the management whether to manufacture dolls or not.

Q.5 Write short notes on :

A) Transfer pricing policy in a multi-divisional company. **(10)**
B) Objectives of budgetary control system **(10)**

Q. 6A) The performance of the two divisions of a company is as follows:- **(11)**

Divisions	**X**	**Y**
Profit margin	13%	5%
Asset turn over	3 times	8 times
ROI	?	?

Fill in the columns marked with "?" in the above table and find out which division has performed better and why?

B) Choose the correct option- **(9)**

The improvement in ROI can be brought about by:-

a) Increasing /reducing sales volume
b) Increasing / reducing assets
c) Increasing / reducing expenditure