MMS - II 20-04-2010.

CMA02

Cost & Management Accounting

Roll no. No. of pages: 2

Time: 3 hours Marks: 60

Total No. of Questions : 06

Total No. of Printed Pages : 02

Note:

Question no. 4 is compulsory. Answer any four questions from the rest. Marks will be awarded for to the point answers. Marks will be deducted for too long and illogical answers.

Q.1.

Jungle Jim Industries manufactures custom designed playground equipment for school and city parks. Jungle Jim expected to incur Rs. 6,64,000 of manufacturing overhead cost, 41500 of direct labour hours and Rs 8,30000 of direct labour cost during the year (the cost of direct labour is Rs.20 per hour).

The company allocates manufacturing overheads on the basis of direct labor hours and during May, Jungle Jim completed Job no. 301. The job used 155 direct labour hours and required Rs.12700 of direct materials. Calculate the manufacturing cost of Job 301. . (12)

Q.2.

From the following information, prepare cost sheet:

Direct material @ Rs. 13 per unit
Direct labor 25% of direct material cost
Direct expenses 10% of direct labor cost
Factory overheads are absorbed at 60% of direct labor cost
Administration expenses @ 20% of works cost
Selling and distribution expenses are charged @ Rs.2.50 per unit sold.
Opening inventory of finished goods –500 units @ Rs. 20 per unit.
Closing inventory of finished goods – 300 units
Units sold 1000 at a profit of 20% on cost of sales. (12)

Q.3.

A) Auto Components has an inventory of 500 obsolete remote entry keys that are carried in inventory at a manufacturing cost of Rs.80000. Production supervisor must decide to do one of the following:

a) Process the inventory further at a cost of Rs.20000 with the expectation of selling it for Rs.28000.
b) Scrap the inventory for a sale price of Rs.6000.

What should the production supervisor do? Present figures to support your decision. (8)

B) Fill in the blanks: (2x2)

I. When actual loss in a process is less than the anticipated loss, the difference between the two is considered to be.......

II. The method of costing used in undertakings like gas companies, cinema houses, hospitals etc. is known as ....

Q.4.

Top managers of Glamour Video are alarmed by their operating losses. They are considering dropping the VCR tape product line. Company accountants have prepared the following analysis to help make this decision:

	Total (Rs.)	DVD discs (Rs.)	VCR tapes (Rs.)
Sales revenue	4,20000	3,00,000	1,20,000
Variable cost	2,30,000	1,50,000	80,000
Contribution margin	1,90,000	1,50,000	40,000
Fixed cost	1,95,000	1,25,000	70,000
Net profit/loss	(5000)	25000	(30,000)

Glamour Video can avoid Rs. 30,000 of fixed cost by dropping VCR tape product line. However, marketing manager has concluded that DVD sales would be adversely affected by discontinuing VCR tape product line (retailers want to buy both from the same supplier). DVD and sales production would decline 10%. What should the company do? (12)

Q.5.

Briefly explain the following:

A. Methods of transfer pricing (6)
B. Management Accounting vs. Financial Accounting (6)

Q.6.

A. Briefly explain how you would measure the performance of an investment centre. Support your answer by examples. (6)

B. Write short notes on any of the three citing examples (3x2)

i. Zero Base Budgeting
ii. Responsibility center
iii. Profitability measures
iv. Flexible budgeting

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