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2M6203

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M. B. A. (Sem.II) (Main / Back) Examination, July - 2009
M-203 : Management Accounting - II

Time : 3 Hours] [Total Marks : 70
[Min. Passing Marks : 28

*The question paper is divided in **two** sections.*
*There are sections **A** and **B**. Section **A** contains **6** questions out of which the candidate is required to attempt any **4** questions. Section **B** contains short case study / application based **1** question which is **compulsory**.*
*All questions are carrying **equal** marks.*

Use of following supporting material is permitted during examination.
(Mentioned in form No. 205)

1. Nil 2. Nil

SECTION - A

1 (a) "The term cost must be qualified according to the context". Discuss the statement referring it's importance in managerial decision making.

(b) Distinguish between "Relevant" and "Irrelevant" costs.

10+4

2 (a) Explain various methods of allocating joint cost to joint and by-products.

(b) Sirohi Ltd. produces a single product. Estimated cost per unit is detailed below :

	Rs.
Direct material	12
Direct wages	8
Direct expenses	4
Variable overhead	2

Semi variable overheads at 100% level of activity (10,000 units) is Rs. 60,000 and these expense vary in steps of Rs. 3,000 for every change in output of 1,000 units. Fixed

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overheads are estimated at Rs. 60,000. Selling Price is expected to be Rs. 50 per unit. Prepare flexible budget at 50%, 70%, 90% level of activity.

7+7

3 (a) Briefly describe the provisions of Accounting Standard 3 (AS : 3) as regards preparation of cash flow statement.

(b) Two divisions of XYZ Ltd. start the year 2008 with identical balance sheets, but the position changed by the end of the year as shown below :

	2008 Division 'A'		*2008 Division 'B'*	
	January 1 **Rs.**	*December 31* **Rs.**	*January 1* **Rs.**	*December 31* **Rs.**
Current : Assets	6,25,000	6,25,000	6,25,000	6,25,000
Current : Liabilities	3,75,000	3,75,000	3,75,000	3,75,000
Working capital	2,50,000	2,50,000	2,50,000	2,50,000
Fixed assets (Net)	2,50,000	6,25,000	2,50,000	5,00,000
Capital employed	5,00,000	8,75,000	5,00,000	6,25,000
Financed by :				
Long-term Debt		2,50,000		
Equity share capital & reserve	5,00,000	6,25,000	5,00,000	6,25,000
	5,00,000	8,75,000	5,00,000	6,25,000

You have the following additional information :

(a) Both the divisions have identical earning power.

(b) Each division earns a Net Profit Rs. 60,000 after Taxation @ 50%. 120000

(c) Depreciation amounts to Rs. 40,000 for each.

You are required to prepare funds flow statements for each division and comment on the financial policy and practices adopted by each as revealed by the Fund Flow Analysis.

4+10

4 (a) Distinguish between "Earning Per Share (EPS)" and "Diluted Earning Per Share".

(b) X Co. Ltd. produces four joint products by refining crude vegetable oil. These products have ready market value but the company wants to process them further for maximising profit. From the following information advise which products should be processed further and which should be sold at split off point. Assume all costs incurred after split off point are variable :

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Product	Sales value at split-off point Rs.	Sales value after further processing Rs.	Additional processing cost Rs.
A	40,000	50,000	8,000
B	25,000	30,000	7,000
C	30,000	45,000	6,000
D	10,000	14,000	5,000

Find also the maximum profit if joint cost is Rs. 90,000.

4+10

5 Given below is the balance sheet of Asatayam Ltd. as at 31-3-2009 :

Liabilities	*Rs.*	*Assets*	*Rs.*
Share capital :		Land and buildings	1,00,000
4,000 equity shares of		Machinery	4,00,000
Rs. 100 each fully paid	4,00,000	Motor vans	40,000
1,000 Equity 'A' share		Furniture	10,000
of Rs. 100 each,		Investments (market	
Rs. 50 per share paid	50,000	value Rs. 40,000)	50,000
Development rebate		Stock	1,00,000
reserve	1,50,000	Debtors	1,90,000
Loans (Unsecured)	6,40,000	Bank balance	10,000
Creditors (including		Profit and loss A/c.	6,00,000
Rs. 10,000 holding lien			
on some assets)	2,60,000		
	15,00,000		***15,00,000***

The company having turned the corner a scheme of reconstruction was prepared and approved as under : (1) To bring in the books the present market value of land and buildings which had appreciated by 150%; (2) Equity shares to be reduced to Rs. 10 per share paid, the face value remaining the same at Rs. 100 and the equity shareholders paying a call of Rs. 50 per share to provide funds for the company working; (3) Unsecured loans to be paid immediately to the extent of Rs. 1,00,000; (4) Unsecured creditors to be paid immediately to the extent of 10% of their claims and they accepting a remission of 20% of their claims; (5) Development rebate reserve, being no longer required, to be transferred to profit and loss account; (6) Investments to be brought to their market value; and (7) The amount available as a result of the scheme to be used to write off the debit balance in profit and loss account.

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Give journal entries to record the above and give the balance sheet after the reconstruction is effected.

14

6 (a) Write brief notes on :

(i) Economic Value Addition (EVA).

(ii) Human resources accounting.

(b) You are furnished with the following information as regards X Ltd. :

(i) Profit Volume Ratio (PVR) for the year 2008, 40%.

(ii) Company wants to increase selling price by 10% now in 2009.

(iii) Variable cost will be higher by 5% in 2009.

(iv) Total fixed will increase from Rs. 3,00,000 in 2008 to Rs. 4,27,300 in 2009.

Work out Break Even Point (BEP) in term of sales in 2008 and 2009. 4+4+6

SECTION-B

Active manufacturers are producing "Dinner Rolls" in batches of 12 dozen using a standard costing system. 200 of these batches were budgeted for a period of 4 week. Total fixed overhead for this level were Rs. 15,000. Standard cost per batch is detailed below.

	Rs.
Wheat flour (20 kgs.)	60
Mixing cooking direct labour hours (15)	150
Total factory overhead	120
	330

Following costs were incurred in producing 225 batches of rolls during the above period. Besides, there were 50 batches in work in progress (WIP) which were 50% completed as regards all elements of cost. However, there was no opening stock of any kind. Actual were as follows :

	Rs.
Direct material consumed 5250 kgs	13,650
Direct labour hours (Mixing-cooking) 3650	30,660
Actual variable overhead	11,050
Actual fixed overhead	15,500

Required :

(i) Prepare a table for all variances relating to material and labour costs.

(ii) Overhead variances using two way and three way analysis of variance.

8+6

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