

M.B.A. DEGREE (FT) II SEMESTER EXAMINATION, MAY 2007

SMS 2208 MANAGEMENT ACCOUNTING

Time: 3 Hours

Maximum marks : 50

(Answer **ALL** questions)
(All questions carry **EQUAL** marks)

(5x 10 = 50)

1. a. What are the limitations of Cost Accounting?
(OR)
- b. From the following particulars of a manufacturing firm, prepare a statement showing (a) Cost of materials used ; (b) Works cost ; (c) Cost of production ; (d) Percentage of works overhead to productive wages ; (e) Percentage of general overhead to works cost.

	Rs.		Rs.
Stock of materials on 1 st January, 1984	40,000	Finished goods sold	24,00,000
Purchase of raw materials on January, 1984	11,00,000	Works overhead charges	1,50,000
Stock of finished goods on 1 st January, 1984	50,000	Office and general expenses	1,00,000
		Stock of materials on 31 st January, 1984	1,40,000
		Stock of finished goods on 31 st January, 1984	60,000

2. a. What are the methods of valuing material issues?
(OR)
- b. Calculate Machine Hour Rate from the following:
1. Cost of Machine Rs.19,200
 2. Estimated scrap value Rs.1,200
 3. Average Repairs and Maintenance charges per month Rs.150
 4. Standing charges allocated to machine per month Rs.50.
 5. Effective working life of machine 10,000 hours.
 6. Running time per month 166 hours.
 7. Power used by machine :5 units per hour @ 19 paise per unit.
3. a. How is profit on uncompleted contract calculated?
(OR)
- b. A product passes through three processes. During December 1984, 1,000 finished units were produced with the following expenditure :

	Process A Rs.	Process B Rs.	Process C Rs.
Direct Materials	1,000	2,000	1,000
Direct Labour	5,000	4,000	3,000
Direct Expenses	500	600	1,000

Overhead expenses amounted in all to Rs.6,000. They are to be apportioned on the basis of direct wages. Main raw materials issued to Process A (beside above) were worth Rs.6,000. Ignoring the question of stock, prepare the Process Account concerned.

4. a. What are the preliminaries to the establishment of standard costs?
(OR)
- b. From the following particulars, find out the break-even point.
- | | |
|------------------------|--------|
| | Rs. |
| Variable cost per unit | 12 |
| Selling price per unit | 20 |
| Fixed Expenses | 60,000 |

What will be the selling price per unit, if break – even point is brought down to 6,000 units?

(Turn over)

5. a. What are the advantages of Cost Audit?

(OR)

b. From the following information and the assumption that the balance in hand on 1st Jan. 2006 Rs.72,500, prepare a Cash Budget:

Month	Sales	Materials	Wages	Selling and Dis. Cost	Production cost	Administration cost
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Jan.	72,000	25,000	10,000	4,000	6,000	1,500
Feb.	97,000	31,000	12,100	5,000	6,300	1,700
March	86,000	25,500	10,600	5,500	6,000	2,000
April	88,600	30,600	25,000	6,700	6,500	2,200
May	1,02,500	37,000	22,000	8,500	8,000	2,500
June	1,08,700	28,800	23,000	9,000	8,200	2,500

Assume that 50% are cash sales. Assets are to be acquired in the month of February and April. Therefore, provision should be made for the payment of Rs.8,000 and Rs.25,000 for the same. An application has been made to the bank for the grant of loan of Rs.30,000 and it is hoped that it will be received in the month of May.

It is anticipated that a dividend of Rs.35,000 will be paid in June. Debtors are allowed one month's credit. Sales Commission @ 3% on sales is to be paid. Creditors (for goods or overheads) grant one month's credit.

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