Subject Code: MB930

MBA III Semester [R09] Regular Examinations, November 2010

Cost &Management Accounting

Time: 3 Hours **Max Marks: 60**

Answer any FIVE questions All questions carry EQUAL marks ,

Question No:8 is compulsory (Case study)

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1. What is Management Accounting? Explain the nature and scope of management accounting.
2. Distinguish between cost control and cost reduction, & Direct expenses and indirect expenses.
3. Prepare a cost sheet showing cost and profit for 1,000 bricks

Fuel (Coal)	2,500 kgs @ Rs. 15 per kg
Wages	10 labourers for 150 days @ Rs. 50 per day
Royalties	0.75 per 1,000 bricks
Depreciation on equipment	@ 10% on 1,50,000
Handling Charges	0.50 per 1000 bricks
Works expenses	10% of wages and coal
Administrative expenses	5% of wages and coal
Production Data:	
Bricks made	52,00,000
Stock on 01-01-2010	1,00,000 @ Rs.40 per 1,000
Stock on 30-06-2010	11,00,000
Actual breakage	2,00,000
Bricks sold	40,00,000 @ Rs. 50 per 1,000.

4. Define Marginal costing. What is " analysis of margin of contribution? Discuss the need for it.
5. What are the uses of Cost-Volume-Profit analysis? Discuss the various ways of presenting the CVP relationship?
6. (A). What are the essentials of an effective system of budgetary control?

(B) . X limited manufactures a product which requires 3 units of material-X and 5 units of material-Y. The

Budgeted sales for the first six months of 2010 are as follows:

Month	Units
Jan. 2010	11,200
Feb	10,000
March	10,600
April	10,200
May	10,000

The firm has a policy of maintaining 50% next month's sales budgeted as ending inventory. A similar policy is maintained for inventories of raw materials.

Prepare production, direct materials utilization and purchase budgets for the first quarter of 2010.

7. Discuss the utility of variance analysis in cost control. What are the major causes for efficiency, volume, capacity and calendar Variances.

8. **CASE (COMPULSARY)**

The flexible budget for a company is as follows

Production capacity	**40%**	**60%**	**80%**	**100%**
Costs:	Rs.	Rs.	Rs.	Rs.
Direct Labour	1,60,000	2,40,000	3,20,000	4,00,000
Direct Material	1,20,000	1,80,000	2,40,000	3,00,000
Production overhead	1,14,000	1,26,000	1,38,000	1,50,000
Administration overhead	58,000	62,000	66,000	70,000
Sales overhead	62,000	68,000	74,000	80,000
TOTAL	5,14,000	6,76,000	8,38,000	10,00,000

Due to recession in the economy, the company is operating at 50% capacity. In about twelve month's time, sales are expected to be about 75% amounting to Rs.9,00,000. The present revenue from sales at 50% capacity amounts to Rs. 4,95,000 for a complete year. If the directors decide to close down the factory for a year, it is estimated that:

a). The present fixed costs would be reduced to Rs. 1,10,000 per anum

b). Closing down costs would amount to Rs. 75,000

c). Maintenance of plant would cost Rs. 10,000 per anum and

d). On reopening the factory, the cost of overhauling would require Rs. 40,000.

Present the information to the company indicating whether it is desirable to close down the factory. Calculate the shut-down point also.

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