

2M6203

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M. B. A. I Year (Sem. II) (Main &amp; Back) Examination, June/July-2011

**M-203 : Management Accounting-II**

Time : Hours] \_\_\_\_\_

[Total Marks : \_\_\_\_\_

[Min. Passing Marks : \_\_\_\_\_

*Attempt any **five** questions in all out of the seven questions including questions 1 and 2, which are **Compulsory**. Each question carries equal marks.*

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

1. \_\_\_\_\_ Nil

2. \_\_\_\_\_ Nil

**SECTION - A**

- 1 "Management Accounting is an application of accounting information for managerial decisions. The managerial decisions now focus on value creation through mergers and acquisitions which in turn rely heavily on published accounting information." What do you infer from the above ? Explain the changing role of management accountant along with micro level drivers.

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- 2 (a) From the following information of a company, calculate the break even point and turnover required to earn a profit of Rs. 36,000.

Fixed overheads = Rs. 1,80,000

Selling price = Rs. 20

Variable cost per unit = Rs. 2

If the company is earning a profit of Rs. 36,000, express the margin of safety available to it.

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[Contd...

- (b) There are two companies A Ltd. and B Ltd. Both expect same sales volume for the next two years. Company A Ltd. has more proportion of fixed cost in total cost. What should Company A Ltd. do to reduce fixed cost ? Will increase in turnover help the company to reduce the fixed cost burden ?

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- (c) Company A Ltd. is making large capital expenditures than Company B Ltd. Can we say that profitability of A Ltd. is more than that of B Ltd. and A Ltd. is more efficient than B Ltd ?

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- (d) From the viewpoint of equity shares holders, does that debt in Capital Structure affect both the risk and profitability of the firm.

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3 Write short notes on :

- (a) ABC
- (b) Kaizen Costing
- (c) EVA
- (d) HRA

3,3,4,4

4 (a) What is the difference between Cost control and cost reduction.

- (b) ABC Ltd. is engaged in the process engineering industry. During the month of April 2009, 2,000 units were introduced in process 'X'. The normal loss is estimated at 5% of input. At the end of the month, 1,400 units had been produced and transferred to process 'Y'; 460 were incomplete units and 140 units had to be scrapped at the end of the process. The incomplete units reached the following degree of completion:

Materials	:	75%
Labour	:	50%
Overheads	:	50%

Following are the further details regarding Process 'X':

Cost of 2000 units introduced	Rs. 58,000
Additional materials consumed	Rs. 14,400
Direct Labour	Rs. 33,400
Allocated overheads	Rs. 16,700

Note : The scrapped units fetched Rs. 10 each.

Prepare :

- (i) Statement of equivalent production.
- (ii) Statement of Cost.
- (iii) Statement of evaluation.
- (iv) Process 'X' Account.



- 5 (a) 100 skilled workmen, 40 semiskilled workmen and 60 unskilled workmen were to work for 30 weeks to get a contract work completed. The standard weekly wages were Rs. 60, Rs. 36 and Rs. 24 respectively. The job was actually completed in 32 weeks by 80 skilled, 50 semiskilled and 70 unskilled workmen who were paid Rs. 64, Rs. 40 and Rs. 20 respectively as weekly wages.

Find out the labour cost variance, labour rate variance, labour mix variance and labour efficiency variance.

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- (b) Ritu international manufactures a product ABC by mixing three raw materials. For every 100 kg of ABC, 125 kgs of materials are used. in April 2009 there was an output of 5,600 kg of ABC. The standard and actual particulars of April 2009 are as follows :

Raw material	Standard		Actual	
	Mix %	Price per kg Rs.	Units %	Price per kg Rs.
Raw material A	50	40	4500	42
Raw material B	30	20	1500	16
Raw material C	20	10	1500	12

Calculate all variances.

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- 6 (a) The balance sheet of ABC Ltd. is as under :

Share Capital :	Rs.		Rs.
5,000 10% Preference Share of Rs. 10 each fully paid up	50,000	Goodwill	12,500
500 Equity Shares of Rs. 100 each fully paid up	50,000	Fixed Assets at cost	45,000
Liabilities	7,500	Stock	12,000
		Debtors	15,000
		Profit and Loss A/c	22,500
	1,07,500		1,07,500

The following resolutions were passed and the scheme was duly approved by the court :

- Equity Shares of Rs. 100 each to be reduced to Rs. 50 each fully paid up.
- 10% Preference Shares of Rs. 10 each to be reduced to Rs. 6 fully paid up 10% preference shares.



- (iii) Goodwill and Profit and Loss A/c to be written off completely and the balance of amount to be used to write off Fixed Assets.

Give journal entries and prepare the Balance Sheet after the reduction in Share Capital.

- (b) Write a note on ZBB.

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## SECTION - B

- 7 Draw inference from the following ratios of SPIC Auto Ltd.

S. No	Particulars	Year 1	Year 2	Year 3
1	Current Ratio	2.65	2.7	3
2	Acid Test Ratio	1.5	1.1	0.9
3	Working Capital Turnover	2.75	3.00	3.25
4	Receivables turnover (times)	9.83	8.41	7.2
5	Collection Period (days)	37	43	50
6	Inventory to Working Capital	0.95	1	1.1
7	Inventory Turnover (times)	6.11	6.01	5.41
8	EPS (Rs)	5.10	4.05	2.5
9	Net income to net worth	0.11	0.08	0.07
10	Operating expenses to Net Sales	0.22	0.23	0.25
11	Sales increase during the year	0.10	0.16	0.23
12	Cost of goods sold to Net Sales	0.70	0.71	0.73
13	Dividend per share	3	3	3
14	Fixed Assets to Net Worth	0.16	0.18	0.22
15	Net Profit to Net Sales	0.07	0.05	0.02

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