**Karunya University**

**(Karunya Institute of Technology and Sciences)**

(Declared as Deemed to be University under Sec.3 of the UGC Act, 1956)

**Supplementary Examinations – June 2016**

**Subject Title: MANAGEMENT ACCOUNTING Time : 3 hours**

**Subject Code: 14MS3009 Maximum Marks: 100**

**Answer ALL questions (5 x 20 = 100 Marks)**

1. **CASE STUDY: (Compulsory)**

The details of the various costs incurred in Spectre Company Ltd., as on 31st March 2015 has been given below. The Company requires you to prepare a “Cost Sheet” , from the information given below and find out the total cost of sales and the sales made by the company.

Materials used in manufacturing – 650000

Materials used in selling the product – 15000

Materials used in the factory – 7500

Materials used in the office – 12500

Labour required in producing goods – 100000

Labour required in supervision of management in factory – 20000

Direct Expenses – 50000

Expenses – Indirect factory- 10000

Expenses – office -12500

Depreciation – office building and equipment – 7500

Depreciation- factory – 17500

Selling expenses – 35000

Freight on purchase of materials-50000

Advertising – 12500

What will be sales of the company to obtain a profit of 25% on selling price?

2. Write NOTES on the following:

a. Opportunity cost b. Discretionary cost c. semi-variable cost d. cost centre

**(OR)**

3. State the differences between Financial and Management Accounting. What are the Limitations of Financial Accounting?

4. Describe the importance of Marginal Costing and Explain Break Even Analysis.

**(OR)**

5. From the under mentioned figures calculate:

a. P/V ratio and the total fixed expense;

b. Profit or loss arising from the sales of Rs. 12,000;

c. Sales required to earn a profit of Rs. 2,000;

d. Sales required to break-even.

Sales profit

Rs. Rs.

First period 14,433 385

Second period 18,203 1,139

[P.T.O]

6. From the following forecasts of income and expenditure, prepare a cash budget for the months Jan. to April 2015.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Months | Sales (Credit) | Purchase (Credit) | Wages | Manufacturing expenses | Administrative expenses | Selling expenses |
| 2010 Nov. | 30000 | 15000 | 3000 | 1150 | 1060 | 500 |
| Dec. | 35000 | 20000 | 3200 | 1225 | 1040 | 550 |
| 2011 Jan. | 25000 | 15000 | 2500 | 990 | 1100 | 600 |
| Feb. | 30000 | 20000 | 3000 | 1050 | 1150 | 620 |
| March | 35000 | 22500 | 2400 | 1100 | 1220 | 570 |
| April | 40000 | 25000 | 2600 | 1200 | 1180 | 710 |

Additional information are as follows :

a. The customers  are allowed a credit period of two months.

b. A dividend of Rs. 10000 payable in April.

c. Capital expenditure which has to be incurred  on 15th Jan. Rs. 5000, to buy a plant and in March, to buy a building on loan and its payment will be done in monthly installments of Rs. 2000 each.

d. The suppliers allowing a credit of 2 months.

e. Payment of other expenses in the month following the expenses incurred

**(OR)**

7. Prepare a Flexible Budget from the following information:

For the production of 10000 units of a product, the following are the budgeted expenses:  
                                                                                                                        Rs. (per unit)  
 Direct material                                                                                                30

Direct Labour                                                                                                  15 Variable overhead                                                                                          12.50 Fixed overhead (Rs. 75000)                                                                               7.50 Variable expenses (direct)                                                                               2.50 Selling expenses (10% fixed)                                                                          7.50 Administration expenses (Rs. 25000 rigid for all production levels)                   2.50 Distribution expenses (20% fixed)                                                                   2.50 Total cost of sale per unit                                                                               80.00

Prepare a budget for production of 12000 & 16000 units showing distinctly marginal cost & total cost.

8. Explain the significance , uses and limitations of Standard Costing. How would you compute the Material Variances?

**(OR)**

9. A manufacturing concern which has adopted standard costing furnishes following information:

Standard Material for 70 kg of Finished Products 100 kg

Price of Materials – Rs. 1 per Kg

Actual: Output - 2,10,000 Kg

Materials used - 2,80,000 Kg

Cost of materials – Rs. 2,52,000

Calculate a. Material Usage Variance

b. Material Price Variance

c. Material Cost Variance.