

July 2021**M. B. A. (Financial Administration) Examination****Second Semester****MANAGEMENT ACCOUNTING****[Max. Marks 90]****Special Note : Word limit for answer of each question is 250 to 300 words.****Note : Attempt any two questions from Section A. Each question in this section is for 12 marks. Attempt any three questions from Section B. Each question in this section is for 22 marks.****Section A**

1. What is management accounting ? Discuss the role of management accounting in the areas of planning, control and decision making.
2. "Cost may be classified in a variety of ways according to their nature and the information needs of management." Explain and discuss this statement, illustrating with examples the classifications required for different purposes.
3. Give short notes on the following :
 - (a) Management Reporting
 - (b) Management Control
 - (c) Reporting of Performance.

Section B

4. A toy manufacturer earns an average net profit of Rs. 30 per piece in a selling price of Rs. 150 by producing and selling 60,000 pieces at 60% of the potential capacity. Composition of his cost of sales is :

	Rs.
Direct Material	40
Direct Wages	10
Works Overhead	60 (50% fixed)
Sales	10 (25% Variable)

During the current year, he intends to produce the same number but anticipates that :

- (a) his fixed charge will go up by 10%.
- (b) rates of direct labour will increase by 20%
- (c) rates of direct material will increase by 5%
- (d) selling price cannot be increased.

Under these circumstances, he obtains an order for a further 20% of his capacity. What minimum price will you recommend for accepting the order to ensure the manufacture, an overall profit of Rs. 18,05,000.

P. T. O.

5. Rajhans Ltd. makes a single product and sales for Rs. 30 per unit and there is great demand of the product. The variable cost of the product is Rs. 16 as detailed below :

	Rs.
Direct Material	8
Direct Labour (2 hrs)	4
Variable Overhead	<u>4</u>
	16

The labour force is currently working at full capacity and no extra time can be made available Mr. Lal has approached the company with a request for manufacturing of special order at Rs. 8,000. The cost of the order would be Rs. 3,000 for direct material and 600 hours (labour) will be required and variable cost per hour shall be Rs. 2. Should the order be accepted ? <https://www.davvonline.com>

6. From the following data for 60% activity, prepare budget for production at 80% and 100% capacity :

Production at 60% capacity 600 units

Materials Rs. 100 per unit

Labour Rs. 40 per unit

Expenses Rs. 10 per unit

Factory Expenses (40% fixed) Rs. 40,000

Administration Expenses (60% fixed) Rs. 30,000.

7. The standard labour cost per unit of product 'X' is follows :

		Rs.
Grade I	5 hours	5.00
Grade II	8 hours	4.00
Grade III	10 hours	<u>4.00</u>
		13.00

For 500 units of production, following wage payments were made :

		Rs.
Grade I	2,400 hrs.	2,640
Grade II	6,000 hrs.	2,700 (1,000 idle hrs)
Grade III	7,000 hrs.	2,940 (500 idle hrs)

Calculate :

- Labour cost variance
- Labour efficiency variances
- Labour min variance.

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