Mid-West University

Examinations Management Office

Surkhet, Nepal

Final Examination-2078

Bachelor of Business Studies (BBS)

Semester - V

Subject: Management Accounting	Course Code: MGMT 451
Full Marks: 60 Pass Marks: 30	Time: 3: 00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)

*Answer **ALL** the questions.*

1. What is management accounting?
2. Write down the concept of ABC.
3. List out the different product cost under absorption costing.
4. Define Idle Time Variance.
5. When did over absorption of fixed cost consist?
6. Consider the following information:
   - Actual quantity of raw material used .... 48 kg
   - Standard price per kg .... Rs. 7.5
   - Actual price per kg .... Rs. 5

   Required: Material price variance (MPV)
7. From the following information, calculate the labor idle time variance:

	Standard	Actual
Wage rate per hour..	Rs. 1.5	Rs. 3
Actual units produced......................................		100 units
Total Idle time...		101 210 hours

8. Write any four factors of Sales Budget.
9. The cost accountant of Alfa Co. Ltd. furnishes the following information:
   - Profit- volume ratio............................. 40 %
   - Margin of safety ratio.......................... 60%
   - Sales.. Rs. 10, 00,000

   Required; a) Margin of safety (b) Profit
10. Write any six types of Budget.

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

*Answer any **THREE** questions.*

11. The total contribution margin of a company for a period was Rs. 150,000 and profit volume ratio was 0.25. At this level of sales, the profit after tax was Rs. 70,000. The tax rate was 30%.

    Required:

    (a) Sales volume for the period (b) Fixed cost

    (c) Break-even-point (d) Sales volume to earn after tax profit of Rs. 52,500.
12. Nepal Company provides you the following information:

    i) Normal capacity is 100,000 units

    ii) Fixed costs based on normal capacity is Rs. 800,000

    iii) Average cost of production Rs. 14 per unit

    iv) Profit @ 20% on sales.

    Required: Prepare a flexible budget to estimate profit for 25,000, 35,000 and 45,000 units of output.
13. What is purchase budget? Point out the factors to be considered in the preparation of purchase budget.

14. The flexible budgeting data regarding a manufacturing company are presented below:
    Flexible budgeting formula = Fixed costs + Variable cost rate x Units
    = Rs. 1, 80,000 + Rs. 4 x Hours
    Other data:
    - Hours produced................................ 56,000 hours
    - Hours worked and paid ....62,000 hours
    - Normal capacity .... 60,000 hours
    - Total overhead paid ....Rs. 442,000

    Required: Analysis of three overhead variances
15. Nepal Company Ltd gives you the following standard and actual data

Categories	Standard			Actual		
	No. of workers	Rate per hour	Hours worked in a week	No. of workers	Rate per hour	Hours worked in a week
Men	10	Rs. 40	30	15	Rs.30	32
Women	20	30	30	10	25	32
Boys	40	20	30	35	10	32

Required:
(a) Labor cost variance
(b) Labor efficiency variance
(c) Labor efficiency sub-mix variance
(d) Labor rate variance

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

*Answer any **TWO** questions.*

16. Everest Manufacturing Company provides you the following information:

Selling price per unit	Rs. 52
Direct material cost	Rs. 8 per unit
Direct labor cost	Rs. 5 per unit
Direct expenses	Rs. 2 per unit
Fixed factory overheads	Rs. 540,000
Fixed office and selling overheads	Rs. 250,000
Variable factory overheads	Rs. 3 per unit
Production	50,000 units
Closing stock	8,000 units
Opening stock	3,000 units

Value of opening stock:

Under variable costing	Rs. 33 per unit
Under absorption costing	Rs. 40 per unit
Under absorption of fixed manufacturing cost	Rs. 40,000

Required:
a) Income statement under marginal costing [4]
b) Income statement under traditional costing [6]
c) Reconciliation statement [3]

17. The sales forecasts relating to a manufacturing company are summarized below:

Month	April	May	June	July
Sales in units	40,000	60,000	80,000	60,000

Selling price per unit is Rs. 20. Each unit of output needs 2 units of raw material and each unit of raw material will cost Rs. 2. Labor cost and factory overhead are Rs. 6 per unit. Selling and distribution expenses are 20% of sales. The company's policy is to keep equal unit of output required for the next month's sales and uniform material inventory of 60,000 units.

80% of sales are in credit and rest in cash. 50% of credit sales are collected in the month and rest in the next month, purchase and expenses are paid in the month when they become due.

The company holds minimum cash balance of Rs. 20,000. The company has negotiation with its bank for temporary borrowing in the multiple of Rs. 1,000 with interest of 15% p.a. on the loan paid. Assume that the loans are taken on the first date of the month and repaid on the last date. Uncollected debtors of March were Rs. 200,000, opening finished goods inventory and cash balance were 40,000 units and Rs. 40,000 respectively.

Required:

a) Production budget for the first three months (i.e. April, May and June) [3]

b) Material purchase budget for the first three months [4]

c) Cash budget for the first three months. [6]

18. Describe standard costing. Explain any five advantages and disadvantages of standard costing. [3+10]

THE END