Mid-West University

Examinations Management Office

Surkhet, Nepal

End-Semester Examination-2081

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. Write any four scopes of management accounting.
2. Write any two similarities between financial accounting and management accounting.
3. What is absorption costing.
4. How is calculated closing stock in units?
5. Outline the key two assumptions of cost-volume-profit analysis.
6. Following information of a company is provided: fixed cost Rs. 60,000, selling price per unit is Rs.80, variable cost per unit is Rs.40.
   Required: P/V ratio.
7. Outline any two major advantages of setting material variance?
8. Mention any four features of budget.
9. Give the concept of flexible budget with suitable examples.
10. List out any two limitation of activity-based costing.

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

Answer any THREE questions.

11. Write the meaning of standard costing. Explain its advantages and disadvantages. [2+6]

12. The following data pertain to a company which manufactures two products X and Y.

Products	Volume of output	Labour hour per unit of output	Machine hour per unit of output	Raw material cost per unit
X	3,000 units	2	4	Rs.5
Y	1,000 units	2	2	Rs.4

Additional information:

a. Direct labour cost Rs. 3 per hour.

b. 500 units batch of production run for each product.

Overhead incurred:

Cost pools	Cost driver	Amounts
Short-term variable cost	Machine hour	32,000
Scheduling cost	Production run	40,000
Set up cost	Production run	52,000
Indirect labour	Direct labour hour	18,000

Required: (a) Cost driver rate for each item of overhead [4]

(b) Cost per unit by using Activity Based Costing [4]

13. **(a)** Write the meaning of marginal costing and mention its limitations. [1+4]

(b) The cost of 10,000 units of product is given below:

Direct material	Rs. 60,000
Direct labour	Rs. 60,000
Insurance	Rs. 15,000
Repair and maintenance	Rs. 12,000

Additional information:

i. The difference in cost for repair and maintenance is Rs. 0.50 per unit between 10,000 and 9,000 units output.

ii. Insurance cost at 9,000 units volume amounted to Rs. 14,000.

Required: flexible budget for the production level at 12,000 units. [3]

14. The profit and total cost of a company during two years were as follows.

Year	Profit (Rs.)	Total cost (Rs.)
2022	46,000	8,54,000
2023	1,15,000	10,85,000

Required: (a) Profit volume ratio [2]

(b) Break- even point (Rs.) [2]

(c) Sales to earn desired profit of Rs. 69,000. The tax rate is 25%. [2]

(d) Margin of safety for both year. [2]

15. **(a)** Dabur Nepal Ltd. gives you the following standard and actual data.

Workers	Standard		Actual	
	No. of staff	Rate per hour (Rs.)	No. of staff	Rate per hour (Rs.)
Men	7	5	5	4
Women	3	2.5	5	3

Actual hour needed to work and paid 48 hours in a week

Normal output per gang hour 25 units

Actual output 1,000 units.

Required: All the possible labour variance. [5]

(b) The flexible budgeting data regarding a manufacturing company are presented below:

Fixed overhead based on normal capacity is ....Rs. 2,00,000

Variable overhead rate based on normal capacity is... Rs. 9

Standard time allowed for 4 units of output is...........one hour.

Actual output in 20,000 hours............................88,000 units.

Normal capacity ....40,000 hours

Total overhead paid.. Rs. 3,90,000

Required: Calculate three overhead variances. [3]

SECTION C: LONG ANSWER QUESTIONS [illegible]

Answer any TWO questions.

16. Define management Accounting with its objectives. Differentiate between financial accounting and management accounting. [3+4+6]

17. The data relating to income statement of a company have been provided below:

Normal capacity ....40,000 units

Beginning inventory......5,000 units

Sales ....40,000 units

Closing inventory .... 15,000 units

Other information:

Selling price per unit .... Rs. 20

Direct material per unit .... Rs. 5

Direct labour cost per unit .... Rs. 3

Variable work overhead per unit Rs.2

Variable office and selling overhead per unit .. Rs. 1

Fixed works overhead Rs.2,00,000
Fixed office and administration overhead.........Rs.50,000
Fixed selling and distribution overhead Rs. 80,000

Required:

a. Income statement under absorption costing [5]
b. Income statement under variable costing [5]
c. Reconciliation statement [3]

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

Month	April	May	June	July
Sales in units	20,000	25,000	30,000	35,000

Selling price per unit is Rs.60. Each unit of output need 3 units of raw material and each unit of raw material will cost is Rs.2. Supervision cost is Rs.12 per unit and fixed costs are Rs. 60,000. Distribution and selling expenses are 20% of sales. In the month of May, cash to be collected from share capital Rs. 2,00,000. A sum of Rs. 45,000 will be received in June as proceeds on sale of old machine.

The company's policy is to keep equal unit of output required for the next month's sales and uniform material inventory of 50,000 units.

50% 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. 60,000. The company has negotiation with his bank for temporary borrowing in the multiple of Rs. 1,000. With 12% interest P.a. on the loan paid. Assume that loans are taken on the first date of the month and repaid on the last date. The receivable of March were Rs. 1,00,000. Opening cash balance on 1st April is Rs. 80,000.

Required:

a. Production budget for the first three months. (i.e.April, May, June) [2]
b. Material purchase budget for the first three months. [3]
c. Cash budget for the first three months. [8]

THE END