

Mid-West University
Examinations Management Office
Surkhet, Nepal
End-Semester Examination-2081
Bachelor of Business Studies (BBS)
Semester - V

Subject: Management Accounting
Full Marks: 60 Pass Marks: 30

Course Code: MGMT 451
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 objectives of management accounting.
2. Write any two differences between financial accounting and management accounting.
3. Point out the limitations of variable costing.
4. How is standard fixed overhead rate (SFOR) calculated?
5. Explain the concept of contribution margin.
6. Following information of a company is provided: fixed cost Rs.1,75,000, selling price per unit is Rs.60, variable cost per unit is Rs.30.
Required: C/V ratio.
7. What are the pre-requisites to establish standard costing?
8. What is the formula of labour mix variance?
9. Mention any four points of importance of budget.
10. What are the factors to be considered while preparing sales budget?

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

Answer any **THREE** questions.

11. What do you mean by management accounting? Differentiate between cost accounting and management accounting. [2+6]
12. (a) Write the meaning of variable costing and mention its importance [1+4]
(b) The following information of production at 80% capacity i.e. 9,600 units is provided.

Direct material	134,000
Direct labour	86,400
Factory overhead (40% fixed)	80,000
Administration and selling (60%) fixed	55,200

Required: Flexible budget for the production level at 60% and 100% capacity. [3]

13. The data relating to income statement of a company have been provided below:
Normal capacity25,000 units
Production27,000 units
Sales28,000 units
Closing inventory 2,000 units

Other information:

Selling price per unit Rs. 30
Direct material per unit Rs. 10
Direct labour cost per unit Rs. 3
Variable work overhead per unit Rs.5
Variable office and selling overhead per unit .. Rs. 3
Fixed works overheadRs.1,00,000
Fixed office and selling overhead.....Rs.50,000

Required:

- a. Income statement under absorption costing
- b. Reconciliation statement

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

Year	Profit (Rs.)	Total cost (Rs.)
2020	1,20,000	14,80,000
2021	160,000	18,40,000

Required:

- a. Profit volume ratio. [2]
- b. Break- even point (Rs.) [2]
- c. Sales to earn desired profit of Rs. 1,60,000. The tax rate is 40%. [2]
- d. Profit when sales are Rs.30,00,000. [2]

15. (a) The standard cost of a certain chemical mixture is as follows:

20 kg. of material A at Rs. 20 per kg.

30 kg. of material B at Rs. 15 per kg.

Expected output in units is 90% of output.

The following actual cost data is given for the period:

180 kg. of material A at Rs. 18 per kg.

220 kg. of material A at Rs. 16 per kg.

Actual output is 368 units.

Required: All possible variances. [5]

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

Flexible budgeting formula = Fixed cost + Variable cost rate × Hour

$$= \text{Rs. } 1,80,000 + \text{Rs. } 4 \times \text{Hours}$$

Other data:

Hours produced56,000 hours

Hours worked and paid62,000 hours

Normal capacity60,000 hours

Total overhead paid Rs. 4,42,000

Required: Analysis of three overhead variances. [3]

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

Answer any **TWO** questions.

16. What is standard costing? Explain its merits and demerits. [3+5+5]

17. Three products A, B and C are produced by the same equipment and process. The details of particulars are noted in the following table:

Products	Volume of output	Labour hour per unit of output	Machine hour per unit of output	Raw material required per unit of output	Raw material cost per kg
A	4,000 units	2	2.5	4 kg	Rs.5
B	8,000 units	4	3	6 kg	Rs.4
C	10,000 units	5	4	10 kg	Rs.3

Additional information:

- a. Direct labour cost Rs. 3 per hour.
- b. 500 units batch of production run for each product.
- c. Raw material purchased 2,000 kg on each order executed for each product.

Overhead incurred:

Cost pools	Cost driver	Amounts
Production scheduling costs	Production run	1,10,000
Maintenance expenses	Machine hours	51,800
Labour welfare expenses	Direct labour hours	45,000
Set-up costs	Production run	48,400
Order executed costs	Order execution	73,800
	Total	3,29,000

Required: cost per unit under:

a. Traditional costing using labour hour.

b. Activity based costing.

[5]

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

[8]

Month	September	October	November	December
Sales in units	20,000	30,000	40,000	30,000

Selling price per unit is Rs.40. Each unit of output need 2 units of raw material and each unit of raw material will cost Rs.2. Manufacturing variable overhead is Rs.12 per unit and fixed costs are Rs. 40,000. Selling and distribution expenses are 25% of sales. In the month of October, cash to be collected from share capital Rs. 1,00,000.

The company's policy is to keep equal unit of output required for the next month's sales and uniform material inventory of 40,000 units.

60% 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.40,000. 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 August were Rs. 1,00,000. Opening cash balance on 1st October is Rs. 30,000.

Required:

a. Production budget for the last three months.

b. Material purchase budget for the last three months.

c. Cash budget for the last three months.

[2]

[3]

[8]

THE END