



(Following Paper ID and Roll No. to be filled in your Answer Book)

**PAPER ID : 270213**

Roll No.

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**M.B.A.**

(SEM. II) THEORY EXAMINATION, 2014-15  
**COST & MANAGEMENT ACCOUNTING**

Time : 3 Hours]

[Total Marks : 100

**Section –A**

1 Attempt all the questions: (20×1)

(a) Management accounting mainly help the management in-

1. Controlling Cost
2. Decision making
3. Fixing Prices of product
4. All of the above

(b) The allotment of whole items of cost to cost centres or cost unit is called

1. Cost allocation
2. Cost apportionment
3. Overhead absorption
4. Cost classification

- (c) At the point of economic order quantity
1. Order Cost = Carrying Cost
  2. Carrying Cost > Ordering Cost
  3. Carrying Cost < Ordering Cost
  4. None of these
- (d) The BEP would be increased by
1. Decrease in FC
  2. Increase in contribution
  3. Decrease in VC
  4. Increase in VC
- (e) When FC is Rs 7,000, Profit Rs 3,000 and Sales Rs 50,000 the P/V ratio will be
1. 20%
  2. 25%
  3. 30%
  4. None of these
- (f) The budget which commonly takes the form of budgeted P&L a/c and B/S is:
1. Cash budget
  2. Master budget
  3. Flexible budget
  4. None of these
- (g) Sales budget is a:
1. Functional budget
  2. Master budget
  3. Expenditure budget
  4. Production budget
- (h) The cost of a product as determined under standard costing is:
1. Fixed cost
  2. Variable cost
  3. Historical cost
  4. Predetermined cost

- (i) In value chain analysis, which of the following is not classed as a primary activity?
1. Sales and marketing
  2. Inbound logistics
  3. Human resource management
  4. Services
- (j) Which management accounting technique involves the identification of value adding activities?
1. Target costing
  2. Blackflush costing
  3. Value chain analysis
  4. Activity based costing
- (k) Variable cost per unit
1. Remains fixed
  2. Fluctuates with the production
  3. Varies with the volume of sales
  4. None of these
- (l) Opportunity cost helps in
1. Ascertainment of cost
  2. Making management decision
  3. Controlling cost
  4. None of these
- (m) Which of the cost is related with decision making?
1. Fixed cost
  2. Marginal cost
  3. Full cost
  4. None of these

- (n) Purchase budget is a:
1. Functional budget
  2. Master budget
  3. Expenditure budget
  4. Production budget
- (o) A responsibility centre whose performance is measured by its ROI is known as:
1. Investment centre
  2. Revenue centre
  3. Cost centre
  4. Profit centre
- (p) Costs are segregated into controllable and non-controllable in:
1. Activity based costing
  2. Integrated accounting
  3. Responsibility accounting
  4. Cost accounting
- (q) The difference between hours paid and hours worked is known as:
1. Labour rate variance
  2. Labour efficiency variance
  3. Idle time variance
  4. Net efficiency variance

- (r) Target cost management is:
1. A management technology to establish a cost target
  2. Is a structured approach for determining cost
  3. Both of the above
  4. None of the above
- (s) Porter's model of competitive forces does not include:
1. Existence of substitute products
  2. Bargaining power of customers
  3. Entry barriers
  4. Cost effectiveness
- (t) Transfer pricing have significance for the purpose of measurement of:
1. Company's performance
  2. Divisional performance
  3. Management's performance
  4. Target return

### **Section – B**

2 Attempt any three out of the following five: 3×10

- (a) Assuming that the cost structure and selling prices remain the same in first & second year. Calculate P/V ratio, FC, BEP, Pt when sales are of Rs. 100000, Sales required to earn a profit of Rs. 15000.

Pd	Sales	Profit
First year	1,50,000	18,000
Second year	1,80,000	27,000

- (b) Prepare cost sheet and calculate profit on 10% cost for the month of July 2014 :

Stock of Raw material 1-7-14	3000
Raw Materials Purchased	28000
Stock of Raw Materials 31-7-14	4510
Manufacturing Wages	6990
Depreciation on machinery	1500
Loss on sale of a part of plant	300
Sale of scrap	500
Factory Rent and rates	3000
Office Rent	510
Office Expenses	390
Discount on sale	300
Delivery van Expense	500
Advertisement Expenses to be charged fully	600
Dividend paid	2000
Opening stock of finished goods(200 units)	2000
Closing stock of finished goods(400 units)	-

The Number of units produced during July, 2014 was 3000. The selling and distribution cost is 50 paise per unit sold.

- (c) Prepare a flexible budget from the following data and calculate profit at 60% and 80 % of working capacity :

Capacity	50%
Volume	10000 units
Selling price per unit	Rs 200
Material	Rs 100
Labour	Rs 30
Factory overhead	Rs 30(Rs 12 fixed)
Office overhead	Rs 20(Rs 10 fixed)

Other information:

At 60% working, material cost per unit increases by 5% and selling price per unit falls by 5%. At 80% working material cost per unit increased by 2% and selling price per unit falls by 2%.

- (d) Marginal costing is very useful technique to management for cost control, profit planning and decision making. Explain.
- (e) Distinguish Management accounting from financial and cost accounting. Discuss the role of a controller and Decision Maker.

### Section - C

Attempt all the questions: (4×12.5)

- 3 “Management accounting is concerned with accounting information which is useful to management” Explain.

OR

Distinguish between allocation and apportionment of overhead & discuss various bases their apportionment.

- 4 Marginal costing is very useful technique to management for cost control, profit planning and decision making. Explain.

OR

Explain the significance and objectives of a Break-even point. State the factor which would cause the BEP to change.

- 5 “Budget and standards are not the same thing. They have different purposes and are set up and used in different ways, yet a specific relationship exists between them” Suggest and why?

OR

The standard labour hours and rates of payment per article ‘A’ follow :

	Hours	Rate Per hours	Total
Male	10	30	300
Women	8	15	120

The actual production was 1000 articles of ‘A’ for which the actual worked and rates are given below :

	Hours	Rate Per hours	Total
Male	9000	35	3,15,000
Women	8400	16	1,34,400

Calculate labour cost variances.

- 6 Explain activity based costing and how it may provide useful information to managers.

OR

How is value chain analysis assessing competitive advantage? Explain the problems of value chain analysis.