M. B. A.
(SEM. II) EXAMINATION. 2006-07
MANAGEMENT ACCOUNTING

Time : 3 Hours] [Total Marks : 100

Note : (1) Attempt all questions.
(2) All questions are of equal value.

1 Attempt any four of the following : \(5 \times 4 = 20\)

(i) Explain the role of cost in decision making.
(ii) What is P/V ratio? Give its advantages.
(iii) How is Zero Based Budget different from traditional budget?
(iv) Explain clearly the concept of Standard Costs.
(v) Elaborate the meaning and significance of investment centre.
(vi) List out the distinctive features of Activity Based Costing.

2 (i) What is Cost Sheet? Prepare a Cost Sheet using imaginary figures. \(10 \times 2 = 20\)

OR

(i) “Incremental Costing is useful in many situations.” Elaborate the statement.

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(ii) The following information is available from the books of New Manufacturing Company Ltd.

<table>
<thead>
<tr>
<th></th>
<th>Rs.</th>
<th>Rs.</th>
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<tbody>
<tr>
<td>Sales</td>
<td></td>
<td>10,00,000</td>
</tr>
<tr>
<td>Variable Costs –</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Materials</td>
<td>3,00,000</td>
<td></td>
</tr>
<tr>
<td>Direct Labour</td>
<td>3,00,000</td>
<td></td>
</tr>
<tr>
<td>Factory Overhead</td>
<td>80,000</td>
<td></td>
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<tr>
<td>Marketing Expenses</td>
<td>70,000</td>
<td></td>
</tr>
<tr>
<td>Admin. Expenses</td>
<td>50,000</td>
<td><strong>8,00,000</strong></td>
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<tr>
<td>Contribution</td>
<td></td>
<td><strong>2,00,000</strong></td>
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<tr>
<td>Fixed Costs –</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Factory Overhead</td>
<td>50,000</td>
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<tr>
<td>Marketing Expenses</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>Admin. Expenses</td>
<td>20,000</td>
<td><strong>1,00,000</strong></td>
</tr>
<tr>
<td>Net Profit</td>
<td></td>
<td><strong>1,00,000</strong></td>
</tr>
</tbody>
</table>

You are required to compute the Break-even Point. A proposal has been made to increase fixed costs by Rs. 10,000, sales and variable costs remaining unchanged. Also compute the new Break-even Point.

**OR**

2 “Flexible Budgeting is more realistic in evaluating performance.” Critically examine the statement in the light of Static and Flexible Budgeting.

3 (i) From the following information, you are required to calculate – (a) Material Price Variance, and (b) Material Usage Variance.

- Quantity of Material Purchased = 3,000 units
- Value of Material Purchased = Rs. 9,000

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Standard Quantity of Material required for one tonne of Finished Product – 25 units
Rate of Material – Rs. 2 per unit, Opening Stock of Material – Nil, Closing Stock of Material – 500 units, Finished Production during the period – 80 tonnes.

**OR**

(i) Discuss briefly the advantages and limitations of Budgetary Control.

(ii) “Sales Budget and Production Budget must be properly co-ordinated for better results.” Explain the statement.

**OR**

(ii) What is Materials Budget? When and why is it prepared? Explain.

4 (i) Define a Responsibility Centre and discuss its managerial implications. 10 \times 2 = 20

**OR**

(i) Explain the meaning and need of Multinational Transfer Pricing.

(ii) What is Cost Management? Discuss briefly its strategies and applications.

**OR**

(ii) Explain clearly the Life Cycle Costing.

5 Write short notes on any **two** of the following: 10 \times 2 = 20

(i) Accounting for Management
(ii) Differential Costing
(iii) Master Budget
(iv) Cost of Quality and Time.

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