D 114520 **(Pages : 4)** **Name.....**

Reg. No.....

FIRST SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2024

(CBCSS)

M.Com.

MCM 1C05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Section A

Answer any **four** *questions.*
Each Question carries 2 weightage.

1. What is Social cost-benefit analysis ?
2. Which are the diagnostic tools of management accounting ?
3. What are the functions of a management accountant ?
4. Define the term performance measurement.
5. What is significance of Cost-volume-profit (CVP) analysis ?
6. What is the significance of the co-efficient of variation ?
7. Which are the elements of standard costing ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each Question carries 3 weightage.

8. What is the scope of management accounting
9. Explain the predictive toots of management accounting ?
10. Explain the aspects to be considered in measurement of economic value added.
11. What are the merits and demerits Activity-based budgeting ?

Turn over

12. There is 40% chance that a patient admitted to the hospital is suffering from cancer. A doctor has to decide whether a serious operation should be performed or not. If the patient is suffering from cancer and the serious operation is performed, the chance that he will recover is 70%, otherwise it is 35%. On the other hand, if the patient is not suffering from cancer and the serious operation is performed, the chance that he will recover is 20%, otherwise it is 100%. Assume that recovery and death are the only possible results. Construct an appropriate decision tree. What decision should the doctor take ?

13. In Dept. A the following data is submitted for the week ended 31st October: Standard output for 40 hours per week 1,400 units. Standard fixed overhead Rs. 1,400. Actual output 1,200 Units. Actual fixed overhead Rs, 1,500, Actual hours worked 32 Hours. Prepare a statement of variances

14. A company produces and markets industrial containers and packing cases. Due to competition. the company proposes to reduce the selling price. If the present level of profit is to be maintained, indicate the number of units to be sold if the proposed reduction in selling price is: (a) 5%; (b) 10%;. The following additional information is available.

	Rs.	Rs.
Present Sales Turnover (30,000 units)		3,00,000
Variable Cost (30,000 units)	1,80,000	
Fixed Cost	70,000	2,50,000
Net Profit		50,000

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*
Each Question carries 5 weightage.

15. Which are the different techniques used for decision making under risk and uncertainty ?

16. A production department of a large manufacturing organisation has furnished the following data for May, 2020.

	Budget Rs.	Actual Rs.
Direct Materials	4,00,000	5,10,000
Direct wages	250,000	3,25,000
Repairs and Maintenance (Rs. 1,00,000 Fixed)	2,00,000	2,20,000
Supervision (Fixed)	1,00,000	1,10,000
Consumable stores (Variable)	75,000	95,000
Factory Rent (Fixed)	50,000	50,000
Depreciation (Fixed)	1,00,000	1,00,000
Tools (Variable)	25,000	30,000
Power and Fuel (Variable)	1,50,000	1,80,000
Administration (Fixed)	2,50,000	2,65,000

The department has 50 identical machines. During May, 2013 the budgeted and actual production of the department are 10,000 and 12,500 units respectively. However, if the department was closed and the machine production services were hired from outside, the cost of hiring the services of similar machines would be Rs. 150 per unit.

You are required to present reports showing the evaluation of the performance of the department based on the concept of (a) Cost Centre (b) Profit Centre and (c) Responsibility Centre.

17. The standard costs of a certain chemical mixture is: 40% Material A at Rs. 200 per ton and 60% Material B at Rs.300 per ton; Standard loss of 10% is expected in production. During a period they used 90 tons of Material A at the costof Rs. 180 per ton, 110 tons of Material B at the cost of Rs. 340 per ton. The weight produced is 182 tons of good production. Calculate Material price, usage, Mix variances.

Turn over

18. The following data are available in respect of product 'A' manufactured by Pankaj Ltd :

	Rs.
Sales	2,50,000
Direct materials	1,00,000
Direct wages	50,000
Variable overhead	25,000
Fixed overhead	50,000

The company now proposes to introduce a new product 'B' so that sales may be increased by Rs. 50,000. There will be no increase in fixed costs and the estimated variable costs of the product 'B' are : Direct materials Rs. 24,000 ; Direct wages Rs. 11,000 ;Overhead Rs. 7,000. Advise whether product B will be profitable or not

(2 × 5 = 10 weightage)

D 52760 **(Pages : 4)** **Name.....**

Reg. No.....

FIRST SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2023

(CBCSS)

Master of Commerce

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Section A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What are the characteristics of management accounting ?
2. What are the features of responsibility accounting ?
3. What are the advantages of zero based budgeting ?
4. How risk-adjusted discount rate is used for decision-making ?
5. Which are the different types of market risks ?
6. What are the features of standard costing ?
7. Which are the steps involved in standard costing ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. What are the limitations of management accounting ?
9. Bring out the strategic role of management accountant.
10. Explain the concept of Economic Value Added.
11. Which are the steps in performance budgeting process ?

Turn over

12. From the following details relating to a project, analyse the sensitivity of the project to changes in initial project cost, annual cash inflow and cost of capital : Initial Project Cost (Rs.) 1,20,000, Annual Cash Inflow (Rs.) 45,000, Project Life (Years) 4, Cost of Capital 10 %.

    To which of these three factors, for a 10 % adverse variation, the project is most sensitive ? (Use annuity factors : for 10 % 3.169 and 11 %... 3.109).

13. The standard labour complement and the actual labour complement engaged in a week for a job are as under :

	Skilled workers	Semi Skilled workers	Unskilled workers
Standard no. of workers in the gang	32	12	6
Standard wage rate per hour (Rs.)	3	2	1
Actual no. of workers employed in the gang during the week	28	18	4
Actual wage rate per hour (Rs.)	4	3	2

During the 40 hour working week the gang produced 1,800 standard labour hours of work. Calculate 1) Labour efficiency Variance ; and 2) Mix Variance

14. In a factory producing two different kinds of articles, the limiting factor is the availability of labour. From the following information, show which product is more profitable :

	Product A Cost per unit (₹)	Product B Cost per unit (₹)
Materials	5.00	5.00
Labour :		
6 Hours @ ₹ 0.50	3.00	
3 Hours @ ₹ 0.50		1.50
Overhead :		
Fixed (50 % of labour)	1.50	0.75
Variable	1.50	1.50
Total Cost	11.00	8.75

	Poduct A Cost per unit	Product B Cost per unit
	(₹)	(₹)
Selling Price	14.00	11.00
Profit	3.00	2.25
Total Production for the month (Units)	500	600

Maximum capacity per month is 4,800 hours.

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Explain the traditional techniques of performance measurement

16. A company is considering two mutually exclusive projects X and Y. Project X costs Rs. 3,00,000 and Project Y Rs. 3,60,000. You have been given below the net present value, probability distribution for each project

Project X		Project Y	
NPV Estimate (₹)	Probability	NPV Estimate (₹)	Probability
30,000	0.1	30,000	0.2
60,000	0.4	60,000	0.3
1,20,000	0.4	1,20,000	0.3
1,50,000	0.1	1,50,000	0.2

(i) Compute the expected net present value of Projects X and Y.

(ii) Compute the risk attached to each project i.e., Standard Deviation of each probability distribution.

(iii) Which project do you consider more risky and why ?

Turn over

17. Calculate overhead Variances from the following data :

Item	Budget	Actual
No .of working days	20	22
Output per man hour	1.0 units	0.9 units
Overhead Cost (Rs.)	1,60,000	1,68,000
Man-hours per day	8,000	8,400

18. Pankaj Ltd., engaged in the manufacture of the two products 'A' and 'B' gives you the following information :

	Product A Rs.	Product B Rs.
Selling price per unit	60	100
Direct materials per unit	20	25
Direct wages per unit @ 0.50 per hour	10	15
Variable overhead	100 % of direct wages	
Fixed overhead	Rs. 10,000 p.a	
Maximum capacity	1,000 units	

Show the contribution of each of the products A and B and recommend which of the following sales mix should be adopted :

(a) 300 units of product A and 600 units of product B ;

(b) 450 units of product A and 450 units of product B ;

(c) 600 units of product A and 300 units of product B.

(2 × 5 = 10 weightage)

D 32653 **(Pages : 3)** **Name.....**

Reg. No.....

FIRST SEMESTER M.Com. (CBCSS) [REGULAR/SUPPLEMENTARY] DEGREE EXAMINATION, NOVEMBER 2022

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum Weightage : 30

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is residual income ?
2. What is cost centre ?
3. Explain the limitation of management accounting.
4. What is zero based budgeting ?
5. What is systematic risk ?
6. What is variance ?
7. What is marginal costing ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. A company manufacturers and markets three products X, Y and Z. All the three products are made from the same set of machines. Production is limited by machine capacity. From the data given below, indicate priorities for products X, Y and Z with a view to maximizing profits :

(₹ per unit)

Particulars	Products		
	X	Y	Z
Raw material	11.25	16.25	21.25
Direct labour	2.50	2.50	2.50
Other variable cost	1.50	2.25	3.55
Selling price	25.00	30.00	35.00
Standard machine time required per unit in minutes	39	20	28

Turn over

9. Differentiate between Financial Accounting and Management Accounting.

10. ABC Ltd., and MNO Ltd., sell identical products in identical markets. Their budgeted income statement for the year 2016-17 are as follows :

Particulars	ABC	MNO
Sales	5,00,000	6,00,000
Less : Variable cost	4,00,000	1,80,000
Contribution	1,00,000	4,20,000
Less : Fixed cost	20,000	2,70,000
Budgeted profit	80,000	1,50,000

Calculate :

(a) BEP for each company.

(b) Sales at which each company will earn a profit of ₹ 60,000.

(c) Sales at which both companies will have same profits.

(d) Which company will earn more when (i) heavy demand ; (ii) low demand ?

11. Suppose a company has three projects viz., A, B and C which shows positive NPV. But the company does not have enough money to invest all three projects. So it decides by the management to know which project increases the financial position of the company. Find out NPV with the help of risk adjusted discount rate :

Particulars	Initial investment	1st year	2nd year	3rd year	Risk free rate	Risk premium
Project A	56,000	25,000	10,000	15,000	2	5
Project B	50,000	32,000	12,000	41,000	1.2	4
Project C	85,000	12,000	30,000	53,000	3	7

12. What is decision tree ? Explain the advantages and disadvantages of decision tree.

13. From the following data, calculate variable overhead variances :

	Budgeted	Actual
Variable overhead	₹ 2,50,000	₹ 2,60,000
Output in units	₹ 25,000	₹ 20,000
Working hours	1,25,000	1,10,000

14. Explain various methods of measuring the performance of a company. Discuss the problem in connection with the performance measurement.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Selling price per unit ₹ 10, variable cost per unit ₹ 4, Fixed costs ₹ 35,000. Calculate New B.E.P. in each of the following cases :
    (a) If selling price is reduced by 20 %.
    (b) If variable cost is decreased by 25 %.
    (c) If fixed cost is increased by 20 %.
    (d) If selling price and variable cost are decreased by 20 % and 25 % respectively and fixed cost is increased by 20 %.

16. Calculate all the material cost variances from the following information :

	Standard		Actual	
	Qty	Unit price	Qty	Unit price
Material A	30 kg.	₹ 20	44 kg.	₹ 25
Material B	20 kg.	₹ 10	66 kg.	₹ 5
Output	45 kg.		90 kg.	

17. Briefly explain the steps involved in the installation of standard costing.

18. Project P and Q are analysed and you have determined the following parameters. Advise the investor on the choice of a project :

Particulars	Project P	Project Q
Investment	₹ 7 Cr.	₹ 5 Cr.
Project life	8 years	10 years
Constriction period	3 years	3 years
Cost of capital	15 %	18 %
N.P.V. @ 12 %	₹ 3,700	₹ 4,565
N.P.V. @ 18 %	₹ 325	₹ 325
Rate of return	45 %	32 %
Payback	18 %	25 %
B.E.P.	4 years	6 years
Profitability index	45 %	30 %
	1.76	1.35

(2 × 5 = 10 weightage)

D 14384 **(Pages : 4 + 4 = 8)** **Name.....**

Reg. No.....

FIRST SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2021

(CBCSS–SDE/Private)

M.Com.

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is decision tree ?
2. What is KPI ?
3. Explain four functions of management accountant ?
4. What is performance budget ?
5. What is unsystematic risk ?
6. What is budgetary control ?
7. What is material cost variance ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Explain various labour variances ?
9. A company has fixed cost of ₹ 90,000, Sales ₹ 3,00,000 and profit of ₹ 60,000.

   Required :

   (i) Sales volume if in the next period, the company suffered a loss of ₹ 30,000.

   (ii) What is the margin of safety for a profit of ₹ 90,000 ?

Turn over

10. A project will cost ₹ 40,000. Its stream of earnings before depreciation, interest and taxes (EBDIT) during the 1st year through 5 years is expected to be ₹ 10,000, ₹ 12,000, ₹ 14,000,₹ 16,000, and ₹ 20,000. Assuming a tax rate of 50 % and depreciation @ 20 % on straight line basis, find out the project's ARR ?

11. Distinction between cost Accounting and management accounting ?

12. A Project with the following information is under active consideration of the management.

Initial investment	...	₹ 70,000
Estimated life	...	4 years
Annual cash inflow	...	₹ 20,000 (before depreciation and after tax)
Investment criterion	...	NPV

Advice the management regarding the acceptability of the project.

Present value (P.V) factor at 10 % : 0.909, 0.826, 0.751 and 0.683

13. Delhi equipment Ltd. Manufacture four components, the cost particulars of which are given below :

	Components			
	A (₹)	B (₹)	C (₹)	D (₹)
Direct material	80	100	100	120
Direct labour	20	25	25	30
Variable overhead	10	12	15	10
Fixed Overhead	15	23	20	20
	125	160	160	180
Output per Machine Hour (units)	4	2	3	3

The key factor is shortage of machine capacity.

Required : advice management as to whether they should continue to produce all or some of these components which are used in its main product or they should buy them from a supplier who has quoted the following prices :

A = ₹ 115 ; B = ₹175 ; C = ₹ 135 ; D = ₹ 185.

14. Briefly explain various business risk ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Calculate all the Labour Cost Variances from the following information :

	Standard		Actual	
	Hours	Rate per hour (₹)	Hours	Rate per hour (₹)
Skilled	90	20	44	25
Semi skilled	60	10	66	5
output	135 kg		90 kg	

16. Project P and Q are analysed and you have determined the following parameters. Advise the investor on the choice of a project :

Particulars	Project P	Project Q
Investment	₹ 7 Cr.	₹ 5 Cr.
Project life	8 years	10 years
Constriction period	3 years	3 Years
Cost of capital	15 %	18 %
N.P.V @ 12 %	₹ 3,700	₹ 4,565
N.P.V @ 18 %	₹ 325	₹ 325
Rate of return	45 %	32 %
Payback	18 %	25 %
B.E.P	4 years	6 years
Profitability index	45 %	30 %
	1.76	1.35

17. What is TQM ? Briefly explain the barriers in the installation of TQM in the organization ?

Turn over

18. Selling Price per unit ₹ 10, Variable cost per unit ₹ 4. Calculate P/V ratio in each of the following cases :

    (a) If selling price is reduced by 20 %.

    (b) If selling price is increased by 20 %.

    (c) If variable cost is decreased by 25 %.

    (d) If variable cost is increased by 25 %.

    (e) If selling price and variable cost are reduced by 20 % and 25 % respectively.

    (f) If selling price and variable cost are increased by 20 % and 25 % respectively.

(2 × 5 = 10 weightage)

D 13084 **(Pages : 4)** **Name.....**

Reg. No.....

FIRST SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, NOVEMBER 2021

[November 2020 session for SDE/Private Students]

(CBCSS)

M.Com.

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admission onwards)

{Covid instructions are not applicable for PVT/SDE students (November 2020 session)}

Time : Three Hours Maximum : 30 Weightage

General Instructions

1. *In cases where choices are provided, students can attend* **all** *questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What is total quality management ?
2. What is Balance Score Card ?
3. What is simulation ?
4. What is labour efficiency variance ?
5. What is standard cost ?
6. What is responsibility accounting ?
7. What is bogey standard ?

(4 × 2 = 8 weightage)

Turn over

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. G Ltd. Produces and sells 95,000 units of 'X' in a year at its 80 % production capacity. The selling price of product is ₹. 8 per unit. The variable cost is 75 % of sales price per unit. The fixed cost is ₹. 3,50,000. The company is continuously incurring losses and management plans to shut down the plant. The fixed cost is expected to be reduced to ₹. 1,30,000. Additional costs of plant shut down are expected at ₹. 15,000.

   Should the plant be shut down ? What is the capacity level of production of shut down point ?

9. Explain the skills required for a management accountant ?

10. A company has a contribution/sales ratio of 40 %. It maintains a margin of safety of 20%. If its annual fixed cost amount to ₹. 24 lakhs, calculate its (i) Break-Even sales ; (ii) Margin of safety; (iii) Total sales ; (iv) Total variable costs ; and (v) Profit.

11. You are given the following information regarding two proposals X and Y :

	Project X	Project Y
Estimated cost	25,000	25,000
Expected cash inflows-(before depreciation and tax)		
1st year end		
2nd year end	15,000	3,000
3rd year end	10,000	7,000
	5,000	20,000

   Examine which project is preferable under NPV criterian.

   Rate of discount is 8 %

   P.V. factor at 8 % : 0.926, 0.857, 0.794

12. Difference between traditional budget and performance budget ?

13. The expenses for the production of 500 units in a factory are given as follows :

		Per Unit
Material	...	80
Labour	...	60
Variable overhead (factory)	...	15
Fixed factory overhead (5,000)	...	10
Administrative expenses (20 % variable)	...	10
Selling and distribution expenses (50 % fixed)	...	10
Total per unit cost	...	185

You are required to prepare a budget for 600 unit also.

14. Briefly explain different types of financial risk ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Thushar Ltd. Provides you the following information.

Fixed Expenses ₹. 4,000, Break-Even Point ₹. 10,000

You are required to calculate :

(a) P/V Ratio ;

(b) Profit when sales are ₹.20,000 ;

(c) Sales to earn profit of ₹.6,000 ;

(d) New Break-Even point if selling price is reduced by 20 % ; and

(e) New Break Even Point if variable cost is increased by 25 %.

Turn over

16. Project P and Q are analysed and you have determined the following parameters. Advise the investor on the choice of a project :

Particulars	Project P	Project Q
Investment	₹.7 Cr.	₹. 5 Cr.
Project life	8 years	10 years
Construction period	3 years	3 Years
Cost of capital	15 %	18%
N.P.V @ 12 %	₹. 3,700	₹. 4,565
N.P.V @ 18 %	₹. 325	₹. 325
Rate of return	45 %	32 %
Payback	18 %	25 %
B.E.P	4 years	6 years
Profitability index	45 %	30 %
	1.76	1.35

17. From the following records of Bonuscrew Ltd., you are required to compute the material and labour variance :

1 tonne of material input yields a standard output of 1 Lakh units.

Number of employees is 200

The standard wage rate per employee per day is ₹. 6.

Standard price of material is ₹. 20 per kg

Actual quantity of material issued by production department 10 tonnes.

Actual price of material is ₹. 21 per kg.

Actual output is 9 lakh units.

Actual wage rate per day is ₹. 6.50

Standard daily output per employee is 100 units.

Total number of day worked is 50

Idle time paid for and included above is ½ day.

18. Discuss the application of marginal costing technique ?

(2 × 5 = 10 weightage)

D 72917 (Pages : 4) Name.....

Reg. No.....

FIRST SEMESTER M.A./M.Sc./M.Com. DEGREE EXAMINATION DECEMBER 2019

(CBCSS)

M.Com.

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admissions)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer any **four** *questions.*
Each question carries 2 weightage.

1. Define Management Accounting.
2. What is key Factor ?
3. Write short note on Sales Variances.
4. What is Social Cost Benefit Analysis ?
5. What is Responsibility accounting ?
6. Explain Cost Volume Profit Analysis.
7. What is Simulation technique ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 weightage.

8. Define Performance Measurement. Explain various techniques of Non-Financial Measurement of Performance.
9. A company is considering a proposal to buy one of the two machines to manufacture a new commodity. Each of the machines requires investment of Rs. 50,000 and is expected to provide benefits over a period of 12 years. The firm has made 'pessimistic', 'most likely' and 'optimistic' estimates of the returns associated with each of these alternatives. These estimates are as follows :

	Machine A	Machine B
Cost	Rs. 50,000	Rs. 50,000
Cash flow estimates :		
Pessimistic	8,000	0
Most likely	12,000	10,000
Optimistic	16,000	20,000

Assuming 14 per cent of cost of capital, which project do you consider more risky, and why ?

Turn over

10. The following are the estimates for the year 2017-18 relating to a Manufacturing concern :

Sales Unit	...	25,000
Fixed Cost	...	1,20,000
Sales value	...	4,00,000
Variable cost	...	Rs. 8 per unit

You are required to

(i) Find out P/V Ratio, BEP and Margin Of Safety.

(ii) Calculate the revised P/V Ratio, BEP and Margin Of Safety in each of the following cases.

a) Increase of 10% in Variable cost.

b) Decrease of 10 % in Selling price.

c) Increase of Sales volume by 5000 units.

d) Increase in Fixed cost by Rs. 15,000.

11. Multiplex Limited is considering a capital project for which the following information is available :

Investment outlay	:	5000
Project Life	:	4 years
Salvage value	:	0
Annual revenues	:	6,000
Annual costs		
(Excluding depreciation, interest and taxes)	:	4,000
Depreciation (for tax purpose)	:	Straight line
Tax rate	:	40%
Debt Equity ratio	:	4:5
Cost of equity	:	18%
Cost of debt (post tax)	:	9 %

Calculate EVA of the Project over its life.

12. Define Overheads. Enumerate the major groups under function wise classification of overheads.

13. The standard cost of material for manufacturing a unit of Product A is estimated as follows :

15kg. of raw material @ Rs. 1.50 per kg. On the completion of the unit it was found that 20 kg of raw material costing Rs. 2 per kg. has been consumed. Compute Material cost Variance.

14. "Management Accounting is an extension of Financial Accounting". Discuss this statement.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. What is standard costing ? Write down the steps involved in installation of standard costing.

16. The Delta Corporation is considering an investment in one of the two mutually exclusive proposals. Project A which involves an initial outlay of Rs. 1,70,000 and project B which has an outlay of Rs. 1,50,000. The Certainty Equivalent Approach is employed in evaluating risky investments. The current yield on treasury bills is 0.05 and the company uses this riskless rate. The Expected values of net cash flows with their respective certainty-equivalents are :

Year	Project A		Project B	
	Cash flow (Rs.000)	Certainty equivalent	Cash flow (Rs.000)	Certainty equivalent
1	90	0.8	90	0.9
2	100	0.7	90	0.8
3	110	0.5	100	0.8

i) Which project should be acceptable to the company ?

ii) Which project is riskier ? How do you know ?

iii) If the company was to use the risk-adjusted discount rate method, which project would be analyzed with higher rate ?

17. S Ltd operates a system of standard costing in respect of one of its products which is manufactured within a single cost centre, the following information is available :

For one unit of product the standard material input is 20 litres at a standard price of Rs. 2 per litre. The standard wage rate is Rs. 6 per hour and 5 hours are allowed in which to produce one unit. Fixed production overhead is absorbed at the rate of 100% of direct wages cost.

During the month just ended the following occurred :

Actual Price paid for material purchased ... Rs.1.95 per litre.

Total direct wages cost ... Rs. 1,56,000

Fixed production overhead incurred ... Rs. 1,58,000

Variances	Favourable (Rs.)	Adverse (Rs.)
Direct material price	8,000	
Direct material cost		5,000
Direct Labour rate		5,760
Direct labour efficiency	2,760	
Fixed production overhead expenditure		8,000

Calculate the following for the month :

(i) Budgeted output in units.

(ii) Number of litres purchased.

(iii) Number of litres used above standard allowed.

(iv) Actual units produced.

(v) Actual hours worked.

(vi) Average actual wage rate per hour.

18. Wonderful woodworks Ltd manufacturers three play articles of wood - chairs, Benches and Tables. The budgeted unit costs and resource requirements of each of these items is given below :

Article	Chair	Bench	Table
Timber Cost	5.00	15.00	10.00
Direct Labour Cost	4.00	10.00	8.00
Variable Overheads Cost	3.00	7.50	6.00
Fixed Overheads Cost	4.50	11.25	9.00
Total Costs	16.50	43.75	33.00
Budgeted Volume per annum	4,000 units	2,000 units	1,500 units
Selling price	20.00	50.00	40.00

The fixed overheads are attributed to the three products on the basis of Direct Labour Hours. The Labour Rate is Rs. 4 per hour and the cost of Timber is 2 per sq.m.

The articles are made from a special grade of timber, the supply of which is restricted to 20,000 sq.m p.a.

The sales Director has already accepted an order for 500 chairs, 100 Benches and 150 Tables, from a Departmental store, which if not supplied would incur a financial penalty of Rs. 2,000. These quantities are included in the market demand estimates shown as budgeted volume per annum.

1. Determine the optimum Production Plan and the Net Profit earned under that plan.
2. Calculate and explain the maximum price that may be paid per sq.m in order to obtain extra supplies of special Timber.

(2 × 5 = 10 weightage)