

R19

Code No: 763AJ

JAWAHARLAL NEHRU TECHNOLOGICAL UNIVERSITY HYDERABAD

MBA III Semester Examinations, September - 2023

STRATEGIC MANAGEMENT ACCOUNTING

Time: 3 Hours

Max.Marks:75

- Note:** i) Question paper consists of Part A, Part B.
ii) Part A is compulsory, which carries 25 marks. In Part A, Answer all questions.
iii) In Part B, Answer any one question from each unit. Each question carries 10 marks and may have a, b as sub questions.

PART - A

(25 Marks)

- 1.a) Distinguish between fixed and variable costs and enumerate their characteristics. [5]
b) Distinguish between job costing and Process costing. [5]
c) Manufacturer of a product X takes 20 hours on machine No.121. It has a selling price of Rs.160 marginal cost of Rs.120. Component part Z could be made on machine No.121 in 4 hours. The marginal cost of component part is Rs.9 and its outside supplier's price is Rs.15.
Should one make or buy component Z, if (i) Machine no 121 is working at full capacity. (ii) There is idle capacity. [5]
d) Outline its main purposes and explain at least one method of preparing cash budget.[5]
e) Explain what you understand by standard costs and how they are different from estimated costs. [5]

PART - B

(50 Marks)

- 2.a) Discuss the role of accounting information in planning and control.
b) Distinguish between allocation, apportionment and absorption of overheads. [5+5]

OR

- 3.a) Explain the concept of Activity Based Costing (ABC) and its advantages.
b) A Company manufacturing two products A and B, furnishes the data for the year.

Products	Annual Output(units)	Machine Hours(per unit)	Direct Labor Hours(per unit)	Total Number of Orders Handled	Total Number of Set-ups
A	5,000	3	1	15	10
B	7,000	1	2	60	40

Annual Overhead Costs:

Relating to Machine Activity	Rs. 2, 20,000
Relating to Production Run Set-ups	20,000
Relating to Handling of Orders	45,000

2, 85,000

Required:

Calculate the production overheads to be absorbed by one unit of each of the products L and M using the following costing methods.

- i) A traditional costing approach using a direct labor hour rate to absorb overheads.
- ii) An activity based costing (ABC) approach using suitable cost drivers to trace overheads to products. [4+6]

4. Prepare a Cost Sheet for the year ended 31.3.2023 from the following figures extracted from the books of Reliance Engineering Co.

Opening Stock (Rs.):

(i) Raw Material 40,350, (ii) Work-in-Progress 15,000 and (iii) Finished Stock 35,590.

Cost incurred during the period (Rs.):

Materials purchased 2,50,000, Wages paid 2,00,000, Carriage inward 2,000, Consumable Stores 10,000, Wages of Storekeeper 7,000, Depreciation of Plant & Machinery 10,000, Materials destroyed by Fire 5,000, Repairs & Renewals 5,010, Office Manager's Salary 10,000, Salary to Office Staff 20,500, Printing & Stationary 10,000, Power 10,500, Lighting for Office Building 2,000, Carriage outward 3,000, Freight 5,000, Entertainment 2,500, Warehousing charges 1,500, Legal charges 2,000, Expenses for participating in Industrial exhibition-6,000.

Closing Stock (Rs.):

(i) Raw material 35,000, (ii) Work-in-Progress 14,500, and (iii) Finished Stock 40,030.
Profit 20% on sales. [10]

OR

5. A product is finally obtained after it passes through three distinct processes. The following information is obtained from its cost records.

	Process I	Process II	Process III	Total
Materials	Rs.2,600	Rs.2,000	Rs.1,025	Rs. 5,625
Direct wages	Rs.2,250	Rs.3,680	Rs.1,400	Rs.7,330
Production overheads	-	-	-	Rs.7,330

500 units @Rs.4 per unit were introduced in Process I. Production overheads are absorbed as a percentage of direct wages.

The actual output and normal loss of the respective processes are given below:

	Output(units)	Normal loss as a percentage of input	Value of scrap (per unit)
Process I	450	10%	Rs.2
Process II	340	20%	Rs.4
Process III	270	25%	Rs.5

Prepare the process accounts and the abnormal gain/loss accounts. [10]

6. Assuming that the cost structure and selling prices remain the same in periods I and II, find out:

- P/V ratio.
- Fixed cost.
- Break-even point for sales.
- Profit when sales are Rs.1, 00,000.
- Sales required earning a profit of Rs. 20,000.
- Margin of safety (M/S) at a profit of Rs.15, 000.

[10]

Period	Sales(Rs.)	Cost(Rs.)	Profit(Rs.)
I	1,20,000	1,11,000	9,000
II	1,40,000	1,27,000	13,000

OR

7.a) Explain briefly the circumstances under which selling below marginal cost may be justified.

b) IB Ltd has a capacity to produce 5,000 articles but actually produces only 2,000 articles for home market at the following costs.

	Rs.
Materials	40,000
Wages	36,000
Factory overheads -Fixed	12,000
-Variable	20,000
Administrative overhead-Fixed	18,000
Selling and distribution overheads-Fixed	10,000
-Variable	16,000
Total Cost	1,52,000

The home market can consume only 2,000 articles at a selling price of Rs.80 per article. An additional order for the supply of 3,000 articles is received from a foreign country at Rs. 65 per article. Should this order be accepted or not, if execution of this order entails an additional packing cost of Rs. 3,000. [4+6]

8. The following are the details of a flexible budget prepared by the budget manager of XYZ Electricals Ltd for the accounting year starting from 1st October, 2023.

The company produces one product –ETX I. Direct material costs Rs.7 per unit. Direct labour averages Rs. 2.50 per hour and requires 1.6 hours to produce one unit of ETX I. Salesmen are paid a commission of Re.1 per unit sold. Fixed selling and administrative expenses amount to Rs. 80,000 per year.

Manufacturing overhead is estimated in the following amounts under specified volumes:

Volume of production(in units)	1,20,000	1,50,000
Expenses:	Rs.	Rs.
Indirect material	2,64,000	3,30,000
Indirect labour	1,50,000	1,87,500
Inspection	90,000	1,12,500
Maintenance	84,000	1,02,000
Supervision	1,98,000	2,34,000
Depreciation of plant and machinery	90,000	90,000
Engineering services	94,000	94,000
Total manufacturing overhead	9,70,000	11,50,000

Prepare a total cost budget for 1, 40,000 units of production.

[10]

OR

- 9.a) Discuss the factors you would consider when preparing a purchase budget.
b) What is zero base budgeting? What are the advantages of zero base approach over traditional approach? [5+5]

10. RK Ltd furnishes the following information relating to the budgeted sales and actual sales for August, 2023.

	Product	Sales quantity(Units)	Selling price per unit(Rs.)
Budgeted sales	X	1,200	15
	Y	800	20
	Z	2,000	40
Actual sales	X	880	18
	Y	880	20
	Z	2,640	38

Calculate the following variances.

- a) Sales quantity variance.
b) Sales mix variance.
c) Sales price variance.
d) Total sales variance.

[3+3+2+2]

OR

11. The product mix of product A1 is as follows:

Kgs	Material	Price per kg(Rs.)
45	A	6
25	B	4.5
30	C	9.5

The standard loss in production is 10% of input. There is no scrap value. Actual production for a month was 7,425kgs of A1 from 80 mixes. Actual purchases and consumption of material during the month were:

Kgs	Material	Price per kg(Rs.)
4,200	A	6.5
1,700	B	4.25
2,600	C	9.75

You are required to calculate the following variances for presentation to the management:

- a) Material cost variance.
b) Material price variance.
c) Material mix variance.
d) Material yield variance.
e) Material usage variance.

[10]

---oo0oo---