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Register Number:

DATE:

**ST. JOSEPH’S UNIVERSITY, BANGALORE-27**

**UG – I SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2023**

(Examination conducted in November/December 2023)

**BCIFA1321- MANAGEMENT ACCOUNTING**

Time- 2 hrs Max Marks-60

**This paper contains 4 printed pages and four parts**

**Section A**

**I.** Answer ***any five*** of the following (**3 x 5 = 15 marks)**

1. What is meant by internal sources of information? Give suitable examples.
2. Calculate Economic Order Quantity (EOQ) from the following:

Annual consumption           6,000 units

Cost of ordering                 $ 60

Carrying costs                    $ 2

1. Information relating to two processes A and B is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Process  | Normal loss as % of input | Input (Litres) | Output (Litres) |
| A | 8 | 65,000 | 58,900 |
| B | 5 | 37,500 | 35,700 |

For each process, was there an abnormal loss or abnormal gain (1 mark)

|  |  |  |
| --- | --- | --- |
|  | Process A  | Process B |
| A | Abnormal Gain | Abnormal Gain |
| B | Abnormal Gain  | Abnormal Loss |
| C | Abnormal loss  | Abnormal Gain  |
| D | Abnormal loss  | Abnormal loss  |

 Show the calculations (2 marks)

1. A company has recorded the following variances for a period:

 Sales volume variance $10,000 adverse

 Sales price variance $5,000 favourable

 Total cost variance $12,000 adverse

 Standard profit on actual sales for the period was $120,000.

What was the fixed budget profit for the period? (1 mark)

 A $137,000

 B $103,000

 C $110,000

D$130,000

Show the calculations (2 marks)

1. Which of the following would NOT be classified as a production overhead in a food processing company?

A: The cost of renting the factory building

B: The salary of the factory manager

C: The depreciation of equipment located in the materials store

D: The cost of ingredients

Justify your answer

1. When opening inventory was 10,000 litres and closing inventory was 12,000 litres, a company had a profit of $72,000 using absorption costing. The fixed overhead absorption rate was $5 per litre. What would be the profit under marginal costing?

**Section B**

**II.** Answer ***any two*** of the following (**5 x 2 = 10 marks)**

1. An organisation’s inventory on 1 July is 15 units at $3.00 each. The following movements occur:

 3 July 5 units issued

 8 July 10 units bought at $3.50 each

 12 July 8 units issued

What would be the closing inventory valuation on 31 July using the FIFO

 method of inventory valuation?

 A $31.50

 B $36.00

 C $39.00

 D $41.00

Show the calculations

1. For each perspective of the balanced scorecard, suggest and explain one performance measure that could be used by a company that provides a passenger transport service, Eg: A taxi company.
2. A. Are the following statements true or false? (4 Marks)

|  |  |  |
| --- | --- | --- |
|  | True  | False  |
| The master budget includes the asset items budget |  |  |
| Continuous budgets are also known as rolling budgets |  |  |
| Scenario planning is mainly used in the short-term |  |  |
| The mission of an organisation is the target to be met in the medium term |  |  |

 B. Which TWO of the following are the main aims of budgeting? (1 Mark)

 A. Controlling costs

 B. Identifying objectives

 C. Evaluating the manager’s performance

 D. Introducing budgetary bias

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. Sugar Private Ltd. Has three production departments A, B, and C and two service departments D and E. The expenses for the year ended 21.3.2010 are as follows:

|  |  |
| --- | --- |
|  | Rs. |
| Rent  | 50,000 |
| Repairs of plant  |  7,000 |
| Supervisor’s salary  | 28,000 |
| Insurance on machinery  | 17,500 |
| Power  | 18,000 |
| Lighting  | 4,000 |
| Staff welfare  | 21,000 |
| General expenses  | 12,000 |

The following additional information is also supplied.

|  |  |  |
| --- | --- | --- |
|  | Production departments  | Service departments |
|  | A  | B  | C  | D  | E  |
| Area is sq. mts  | 140 | 120 | 110 | 90 | 40 |
| Value of plant  | 40,000 | 36,000 | 32,000 | 20,000 | 12,000 |
| No. of workers  | 30 | 20 | 20 | 5 | 5 |
| H.P of machines  | 30 | 25 | 25 | 10 | - |
| Light points  | 8 | 6 | 3 | 2 | 1 |
| Total wages  | 20,000 | 16,000 | 10,000 | 10,000 | 4,000 |

Apportion the costs to the various departments on the most equitable basis.

1. Printjet Ltd specialises in printing advertising leaflets and is in the process of preparing its price list. The most popular requirement is for a folded leaflet made from a single sheet of A4 paper. From past records and budgeted figures, the following data has been estimated for a typical batch of 10,000 leaflets:

Artwork $65

Machine set up 4 hours @ $22 per hour

Paper $12.50 per 1,000 sheets

Ink and consumables $40

Printer’s wages 4 hours at $8 per hour

Note:Printer’s wages vary with volume.

 General fixed overheads are $15,000 per period during which a total of

600 labour hours are expected to be worked.

Calculate cost for 10,000 and 20,000 leaflets

1. Extracts from a company accounts show the following:

|  |  |  |
| --- | --- | --- |
|  | In $000’s | In $000’s |
| Non‐Current assets |  | 30,000 |
| Current assets |  |  |
| Inventory  | 22,000 |  |
| Trade Receivables  | 12,506 |  |
| Cash  | 5,006 |  |
|  |  | 39,512 |
| Total assets |  | **69,512** |
| Equity  |  |  |
| Share Capital  |  | 100 |
| Revaluation Reserve  |  | 12,000 |
| Retained Earnings  |  | 26,412 |
| Non-current Liabilities  |  |  |
| Loans  |  | 16,000 |
| Current Liabilities  |  |  |
| Trade Payables  |  | 15,000 |
| Total equity and Liabilities  |  | **69,512** |

Additional Notes

|  |  |
| --- | --- |
|  | $000’s |
| Revenue  | 64,323 |
| Profit before interest and taxation | 27,657 |

Answer the following questions:

1. What is the gearing ratio (total debt/equity) of the company?
2. What is the company’s current ratio?
3. What is the company’s quick ratio?
4. What is ROCE of the company (Return on Capital Employed)
5. What are the receivables collection period of the company?

**Section D**

**III. Answer the following (15marks)**

1. A product passes through three processes A, B and C. The details of expenses incurred on the three processes during the year were as under:

|  |  |  |  |
| --- | --- | --- | --- |
| Processes  | A | B | C |
| Units produced  | 10,000 |  |  |
| Cost per Unit | 100 |  |  |
|  | Rs.  | Rs.  | Rs.  |
| Sundry Materials  | 10,000 | 15,000 | 5,000 |
| Labour  | 30,000 | 80,000 | 65,000 |
| Direct Expenses  | 6,000 | 18,150 | 27,200 |
| Selling price per unit of output | 120 | 165 | 250 |

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocable to the processes

Actual output of the three process was: A – 9,300 units, B – 5,400 units and C – 2,100 units. Two-thirds of the output of Process A and one-half of the output of Process B was passed on to the next process and the balance was sold. The entire output of process C was sold.

The normal loss of the three processes, calculated on the input of every process was: Process A – 5%, B – 15% and C – 20%. The loss of Process A was sold at Rs. 2 per unit, that of B at Rs. 5 per unit and of Process C at Rs. 10 per unit.

Prepare the three process accounts, abnormal loss and abnormal gain account.

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