

# LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034



**B.Com. DEGREE EXAMINATION – HONOURS**

**SECOND SEMESTER – APRIL 2022**

**UBH 2501 – MANAGEMENT ACCOUNTING**

Date: 20-06-2022

Dept. No.

Max. : 100 Marks

Time: 01:00 PM - 04:00 PM

## PART- A

**Answer all the Questions**

**(35×2=70)**

1. A highly summarized report about the company & its competitors is example of which one of the following types of management information?  
a. Tactical b. Strategic c. Planning d. Operational
2. Which of the following is the last step in the management control system?  
a. Setting organizational objectives  
b. Establishing the standard to be achieved  
c. Taking appropriate corrective action  
d. Measuring the actual performance
3. Which of the following is an overhead cost in the production of a car?  
a. The cost of the laborers who place tires on each car.  
b. The cost of the tires on each car.  
c. The cost of small tools used in mounting tires on each car.  
d. The royalty cost paid for each car.
4. Which of the following is an appropriate measure for Investment center?  
a. Cost per unit b. Selling price per unit c. Contribution per unit d. ROCE
5. Aircraft are manufactured on order received from the customer. No two aircraft are same. Each aircraft is highly customized as per the requirements of the customer. Which of the following costing system is best suited for aircraft manufacturing?  
a. Job costing b. Contract costing c. Process costing d. Marginal costing
6. DEF Co. has received a specific work order from a customer for a special component. The order is for supplying 20000 special components. The following data has been estimated for a typical batch of 10,000 special components:

Material 1	\$100 per order
Material 2	\$20 per 1,000 components
Technician wages	5 hours at \$10 per hour

General fixed overheads are \$15,000 per period during which total of 500 labour hours are expected to be worked. Calculate total cost for 20,000 components.

- a. 850 b. 900 c. 950 d. 1000

### Common data for the q. no 7 and 8

ABC Co manufactures two products, X and Y, in a factory divided in to two production cost centers, Machining and Assembly. Fixed overheads are to be absorbed by reference to machine hours. In order to find a fixed overhead cost per unit, the following budgeted data are relevant.

Particulars	Machining	Assembly
Allocates & Apportioned Fixed costs	150000	127500
Direct machine – hours per unit		
Product X	0.2	0.5
Product Y	0.4	1
Units	5000	5000

7. What is the OAR for Assembly department?  
a. 27 b. 17 c. 19 d. 29

8. What should be the budgeted fixed overhead cost of a unit of Product X?  
 a. 18.5   b. 22.5   c. 16.5   d. 20.5
9. XYZ Co. manufactures and sells a single product. At the end of the manufacturing process all units are inspected and 10% are rejected and scrapped. Next year the budgeted sales are 200,000 units and the inventory of finished units will increase by 5,000 units. What is next year's budgeted production (in units) which will be subject to inspection?  
 a. 256250   b. 205000   c. 220000   d. 242500
10. Which of the following is an advantage of RI?  
 A It is relative measure  
 B It considers time value of money  
 C It does not involve the cost of capital figure  
 D It is an absolute measure
11. A company uses absorption costing with a predetermined hourly fixed overhead absorption rate. The following situations arose last month:  
 (1) Actual hours worked were less than the budgeted hours used to set the predetermined absorption rate.  
 (2) Actual overhead expenditure exceeded budgeted expenditure.  
 Identify if the situation leads to over absorbed or under absorbed.  
 A Statement 1 is over absorbed and statement 2 is under absorbed  
 B Statement 1 is over absorbed and statement 2 is over absorbed  
 C Statement 1 is under absorbed and statement 2 is under absorbed  
 D Statement 1 is under absorbed and statement 2 is over absorbed
12. An example of an item that would fall under the customer perspective on the balanced scorecard of an airline is  
 A 90% of the flights will arrive on time.  
 B % of customers opting for frequent flyer program.  
 C Training given to employees to serve customer better  
 D customers will have to wait no longer than 15 minutes to check their bags.
13. Which of the following relates to Management Accounting alone  
 A To aid planning, controlling and decision making.  
 B Based on historical record.  
 C Private companies must produce this accounts.  
 D Accounting standards and company law prescribes the format of presentation
14. Which of the following is the correct spreadsheet formula for computing Variable cost per unit in High low method: Cells contain the below information  
 A1 = Cost at high activity;  
 A2 = Cost at low activity;   B1 = High activity; B2 = Low activity;  
 a.  $A1 - A2 / B1 - B2$    b.  $A1 - (A2 / B1) - B2$    c.  $(A1 - A2) / (B1 - B2)$    d. None of the above
15. A division has a residual income of \$240,000 and a net profit before imputed interest of \$640,000. If it uses a rate of 10% for computing imputed interest on its invested capital, what is its return on investment (ROI) to the nearest whole number?  
 A 4%   B 10%   C 16%   D 27%

**Use the following data for the q.no 16 and 17**

Extracts from a company's accounts show the following balances:

	\$000		\$000
Inventories	150	Revenue	2,700
Receivables	300	Cost of sales	1,300
Cash	25	Gross profit	1,400
Payables	230	Admin costs	500
Overdraft	90	Distribution costs	350
		Operating profit	550
		Finance cost	75

16. What is the receivables' payment period in days (to the nearest day)?  
 A 41 days   B 84 days   C 78 days   D 45 days
17. What is the inventory holding period (to the nearest day)?  
 A 4 days   B 10 days   C 24 days   D 42 days

18. A company uses process costing to value output. During the last month the following information was recorded:  
 Output: 2,800 kg valued at \$7.50/kg  
 Normal loss: 300 kg which has a scrap value of \$3/kg  
 Abnormal gain: 100 kg  
 What was the value of the input?

19. Two products W and X are created from a joint process. Both products can be sold immediately after split-off. There are no opening inventories or work-in-progress. The following information is available for the last period:

Total joint production costs \$776,160

Product	Production units	Sales units	Selling price per unit
W	12,000	10,000	\$10
X	10,000	8,000	\$12

Using the sales value method of apportioning joint production costs, what was the value of the closing inventory of product X for the last period?

20. ABC Co has calculated the following indicators

- (i) Residual Income
- (ii) Training costs / total costs \* 100

Which of the balanced scorecard perspectives would these measures relate to?

- (i)
- (ii)

- a. Financial                      Financial
- b. Financial                      Learning and growth
- c. Internal                        Learning and growth
- d. Financial                      Internal

21. As part of a process to achieve a target cost, GYE Inc are interviewing prospective customers to determine why they would buy the product and how they would use it.

What term best describes this process?

- A Value analysis    B Operational research    C Total quality management    D Lifecycle costing

22. Which TWO of the following are characteristics of service costing?

- A High levels of indirect costs as a proportion of total cost
- B Use of equivalent units
- C Use of composite cost units
- D Long timescale from commencement to completion of the cost unit

23. Which one of the following is an example of internal information for the wages department of a large company?

- A A Code of Practice issued by the Institute of Directors
- B A new national minimum wage
- C Changes to tax coding arrangements issued by the tax authorities
- D The company's employees' schedule of hours worked

24. Which of the following would be classified as direct labour?

- A Personnel manager in a company servicing cars
- B Bricklayer in a construction company
- C General manager in a DIY shop
- D Maintenance manager in a company producing cameras

25. A firm which bottles shampoo selects some filled bottles for examination. The procedure used is to select a random starting point x (xth bottle filled) and every bottle at an interval of y is then chosen for examination.

What is this type of sampling known as?

- A Multi-stage    B Random    C Systematic    D Stratified

26. Which of the following is an example of nominal data?

- A Gender    B Annual income    C Age group    D Time

27. Identify whether each of the following statements are true or false?

- a. Big Data management involves using sophisticated systems to gather, store and analyse large volumes of data.
- b. Big data does not include traditional data from internal sources such as sales history, preferences, order frequency and pricing information.

28. Big data can be difficult to manage for a variety of reasons. These can be summarised using the 5 V's.

- Which of the following correctly describes variety?
- A The speed at which data is generated  
 B The quantity of the data that is generated  
 C The range of data that is generated  
 D The accuracy of the data that is generated
29. Which of the following statements is correct?
- A A stores ledger account will be updated from a goods received note only  
 B A stores requisition will only detail the type of product required by a customer  
 C The term 'lead time' is best used to describe the time between receiving an order and paying for it  
 D To make an issue from stores authorisation should be required
30. Which of the following procedures are carried out to minimise losses from inventory?
- (i) use of standard costs for purchases  
 (ii) restricted access to stores  
 (iii) regular stocktaking  
 A (i) only    B (ii) and (iii)    C (ii) only    D (i) and (iii)
31. An organisation's inventory at 1 July is 15 units at \$3.00 each. The following movements occur:
- 3 July 20X4 5 units sold at \$3.30 each  
 8 July 20X4 10 units bought at \$3.50 each  
 12 July 20X4 8 units sold at \$4.00 each
- What would be the closing inventory valuation at 31 July using the FIFO method of inventory valuation?  
 A \$31.50    B \$36.00    C \$39.00    D \$41.00
32. A company determines its order quantity for a component using the Economic Order Quantity (EOQ) model. What would be the effects on the EOQ and the total annual ordering cost of an increase in the annual cost of holding one unit of the component in inventory?
- | <i>EOQ</i> |        | <i>Total annual ordering cost</i> |
|------------|--------|-----------------------------------|
| A          | Lower  | Higher                            |
| B          | Higher | Lower                             |
| C          | Lower  | No effect                         |
| D          | Higher | No effect                         |
33. The following statements refer to situations occurring in Process Q of an organisation which operates a series of consecutive processes:
- (i) Direct labour is working at below the agreed productivity level.  
 (ii) A machine breakdown has occurred.  
 (iii) Direct labour is waiting for work to be completed in a previous process.
- Which of these situations could give rise to idle time?
- A (i) and (ii) only  
 B (i) and (iii) only  
 C (ii) and (iii) only  
 D (i), (ii) and (iii)
34. Which of the following methods of remuneration is not an incentive-based scheme?  
 A Straight piecework    B Day rate    C Group bonus    D Differential piecework
35. Which TWO of the following are characteristics of service costing?
- A High levels of indirect costs as a proportion of total cost  
 B Use of equivalent units  
 C Use of composite cost units  
 D Long timescale from commencement to completion of the cost unit

**PART – B**

**Answer all the Questions**

**(2×15=30)**

36. Darling makes three different products, the Hogmonay, the Melchitt and the George. Each of these products requires the input of a number of different materials. Materials Y and Z both cost \$3 per kg, with the following usage per unit:

	Y	Z
Hogmonay	\$6	\$3
Melchitt	–	\$12
George	\$9	–

All three products use equal amounts of the same type of labour, which costs \$5 per hour. Darling has a factory and using the high-low method has estimated that the cost of variable overhead per hour is \$4 and that total fixed overhead for the month is \$150,000. A fixed overhead absorption rate of \$2.50 per labour hour has been calculated by applying this to the current month's budget. Opening inventories (which are valued at total absorption cost) are as follows:

Hogmonay 100 units	Material Y 500 kg
Melchitt 200 units	Material Z 600 kg
George 150 units	

Darling plans to increase all inventories (both of raw materials and of finished goods) by 10% at the end of the month and plans to sell the following number of each product:

Sales units	
Hogmonay	2,910
Melchitt	7,210
George	4,835

Other selling and administrative overheads are absorbed at the rate of 80% of full production cost.

The sales price per unit is calculated so as to give a net profit margin of 25% on sales.

Required:

(a) Prepare the following subsidiary budgets for the month:

- (i) Production of finished goods; **(2 Marks)**
- (ii) Materials usage; **(2 Marks)**
- (iii) Materials purchases; **(3 Marks)**
- (iv) Labour usage; and **(4 Marks)**
- (v) Sales revenue. **(4 Marks)**

37. A. A transport company is running 7 buses between two villages. The distance between these two villages is 40 kms the seating capacity of each bus is 50 passengers. Following are the details relating to the cost of running the 7 vehicles for the month of June 2022

- Salary for one driver per month- Rs. 4,800
- Salary for one conductor per month- Rs 3,600
- Wages for one cleaner for the month- Rs 2,300
- Cost of diesel per litre – Rs. 30
- Repairs and maintenance for the 7 vehicles – Rs 12,000
- Insurance for one vehicle for one year – Rs. 4000
- Road tax paid per quarter for one vehicle- Rs. 2000
- Depreciation charged for the 7 vehicles- Rs. 18,000
- Total garage rent for the month- Rs 6000
- Kms run per litre per vehicle – 4

The company has 14 drivers, 14 conductors and 7 cleaners, each bus was operated four round trips per day. Assume that all the 7 buses were operated on all the days of the month. Actual passengers carried were 80% of the seating capacity. Calculate the cost per passenger- Km **(10 Marks)**

B. Watton Ltd is a retailer of beer barrels. The company has an annual demand of 36,750 barrels. The barrels cost \$12 each. Fresh supplies can be obtained immediately, but ordering costs and the cost of carriage inwards are \$200 per order. The annual cost of holding one barrel in inventory is estimated to be \$1.20. The economic order quantity has been calculated to be 3,500 barrels. The suppliers introduce a quantity discount of 2% on orders of at least 5,000 barrels and 2.5% on orders of at least 7,500 barrels.

Required:

Determine whether the least-cost order quantity is still the EOQ of 3,500 barrels. **(5 Marks)**

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