JAIPURIA
INSTITUTE OF MANAGEMENT
LUCKNOW NOIDA JAIPUR INDORE

**JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA**
**PGDM, Second Trimester (Batch 2017-19)**
**END TERM EXAMINATIONS**

| | | | |
|---|---|---|---|
| Course Name | Management Accounting and Control | Course Code | FIN 201 |
| Max. Time | 2 hours | Max. Marks | 40 |

Note: Attempt all questions.

Q1. On June 30, 2016, Raman and Company revealed the following information (10)

| | (Rs) |
|---|---|
| Raw Materials | 6,20,000 |
| Work-in-progress | ? |
| Finished Goods | 11,90,000 |
| Inventory as on January 1,2016 consisted of the following | |
| Raw Materials | 3,00,000 |
| Work in Progress | 10,00,000 |
| Finished Goods | 14,00,000 |
| | 27,00,000 |

The gross profit margin is assumed 25% of sales. The Sales for the first half of the year 2016 were Rs.34, 00,000, raw materials purchased were Rs. 11,50,000, direct labour costs for this period were Rs.8,00,000 and manufacturing overheads were estimated 50% of direct labour costs. As a management accountant you are required to compute the work in progress figure.

Q2. Royal Industries Ltd. has a normal plant capacity of 3, 00,000 units per year and current production is 2, 00,000 units. There is no alternative use for the idle facilities. The company receives an offer from a foreign customer to buy 1, 00,000 units @ 10 a unit. The regular market price is Rs 14 a unit. The current manufacturing and selling costs are: (10)

| Particulars | Per Unit(Rs) | Total |
|---|---|---|
| Direct Labour | 2 | Rs 4,00,000 |
| Direct Material | 3 | Rs 6,00,000 |
| Variable overheads | 2 | Rs 4,00,000 |
| Variable selling cost | 1 | Rs 2,00,000 |
| Fixed manufacturing overheads | 2.50 | Rs 5,00,000 |
| Fixed selling Costs | 0.50 | Rs 1,00,000 |

(a) Should the offer be accepted assuming that shipment charges of Rs 50000 are to be borne by the seller? There will be a special packing of the product which will involve the packing cost of Rs 0.25 per unit. Being an export order, the management is convinced of the fact that the regular market price of Rs 14 a unit will not be affected.

(b) Assume that the order is from local supplier and therefore, should the order be accepted, if all products in future are to be offered at the special order price.

Q3. A company Veta Ltd. produces 600 units of a product every month. The Selling price is INR 240 and the variable cost is INR 160 per unit. The fixed expenses of the company are INR 10,000 for each month. You are required to: (5)

(a) Determine profit for every month when 500 units are produced.
(b) The target sales required to earn a profit of INR 14000 per month.

Q4. In a manufacturing unit two products R and S are produced using the same equipment and almost similar processes. The production department has furnished the following information in respect of these two products for the quarter ending March 2015. (10)

| Particulars | Product R | Product S |
|---|---|---|
| Total Production(Units) | 20000 | 30000 |
| Direct Labour Hours(Per Unit) | 2 | 4 |
| Machine Hours utilized(Per Unit) | 3 | 1 |
| Total number of setups(Per Product) | 20 | 80 |
| Total orders handled (Per Product) | 30 | 120 |

The details of total production recovered for the period is available as below

| Particulars | Amount(Rs) |
|---|---|
| Machine activities | 9,00,000 |
| Setups | 80,000 |
| Orders Cost | 1,80,000 |
| Total | 11,60,000 |

On the basis of above given information you are required to compute production overheads to be absorbed by each product based on ABC costing system and comment accordingly.

Q5. 'Management Accounting is more important than Financial Accounting for a manager'. Critically justify the statement with reasons and examples. [5]