

GOVERNMENT COMMERCE COLLEGE, VADALI
INTERNAL EXAMINATION-FEB-MAR-2024
SUBJECT: MANAGEMENT ACCOUNTING-II (SUBJECT CODE: CE 303 A)
B.COM. – 6 (WEF' 2020)
SECTION - A

DATE: 05/03/2024
DAY : TUESDAY

EXAM TIME: 20 MINUTES
TOTAL MARKS : 10

You are required to attempt following Multiple Choice Questions. Students have to write compulsorily only "Correct Option" in the given Box. (Attempt Only 10 out of 12) (10)

- 01.** A primary purpose of using a standard cost system is _____
- A. to make things easier for managers in the production facility.
 - B. to provide a distinct measure of cost control.
 - C. to minimize the cost per unit of product
 - D. (B) and (C) are correct.
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- 02.** Two mutually exclusive projects are being considered. Neither project will be repeated again in the future after their current lives are complete. There exists a potential problem though - the expected life of the first project is one year and the expected life of the second project is three years. This has caused the NPV and IRR methods to suggest different project preferences. What technique can be used to help make a better decision in this scenario ?
- A. Rely on the NPV method and make your choice as it will tell you which one is best.
 - B. Use the common-life technique to replicate the one-year project three times and recalculate the NPV and IRR for the one-year project.
 - C. Ignore the NPV technique and simply choose the highest IRR since managers are concerned about maximizing returns.
 - D. In this situation, we need to rely on the profitability index (PI) method and choose the one with the highest PI.
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- 03.** The internal Rate of Return (IRR) criterion for project acceptance, under theoretically infinite funds is: accept all projects which have _____
- A. IRR equal to the cost of capital
 - B. IRR greater than the cost of capital
 - C. IRR less than the cost of capital
 - D. All of the above
-
- 04.** The data related to Production of T are for material X standard data and actual data are 40 kgs @ Rs 10 and 55 kgs @ Rs 9, respectively. The standard data and actual data for material Y are 50 kgs @ Rs 5 and 35 kgs @ Rs 7. Determine material usage variance.
- A. Rs 75 favorable
 - B. Rs 75 unfavorable
 - C. Rs 90 unfavorable
 - D. Rs 90 favorable
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- 05.** Which of the following assumptions are made while calculating marginal cost?
- A. Total fixed cost is constant at all levels of output
 - B. Total variable cost varies according to the volume of output
 - C. All elements of cost can be divided into fixed and variable components
 - D. All of the above
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- 06.** The margin of safety, which is the difference between actual sales and break-even point, can be improved by _____.
- A. Lowering variable costs
 - B. Lowering fixed costs
 - C. Increasing sales volumes
 - D. All of the above
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07. A standard cost card reveals that one unit of Product A needs 2 kg of material X at Rs 10 per kg. During February 800 units of Product A were produced. Actual price paid for material X is Rs 9 per kg and total cost Rs 15,300. Determine material cost variance.

- A. Rs 700 favorable
- B. Rs 700 unfavorable
- C. Inadequate data
- D. None of the above

08. Given standard time per unit is 80 hours, standard time per hour @ Rs 1 per hour, actual time per unit is 90 hours and actual rate per hour @ Rs 1.10 per hour. Determine labour cost variance, labour rate variance and labour efficiency variance.

- A. Rs 11, Rs 22 and Rs 10 all unfavorable
- B. Rs 19, Rs 9 and Rs 10 all favorable
- C. Rs 19, Rs 9 and Rs 10 all unfavorable
- D. Rs 11, Rs 22 and Rs 10 all favorable

09. ABC Ltd is operating a system of standard costing with closing of books done every quarter. The budgeted overheads are Rs 2,55,000. Also, the overhead rate was pre-decided @ Rs 5.1 per labour hours and during a quarter actually used 52,000 labour hours, instead of 51,000 hours. The actual overheads resulted in a rate of Rs 4.9 per labour hours. What is volume variance?

- A. Rs 5,100 favorable
- B. Rs 5,200 favorable
- C. Rs 5,100 unfavorable
- D. Rs 5,200 unfavorable

10. Which of the following statements are true about labour idle time?

- A. Labour idle time variance is not caused by non-availability of raw material
- B. Labour idle time variance is measured as : Abnormal idle hours * Actual hourly rate
- C. Labour idle time variance is always unfavorable or adverse
- D. All of the above

11. Given budgeted output, number of working days, fixed overheads and variable overheads are 15,000 units, 25, Rs 30,000 and Rs 45,000 respectively. The actual output, number of working days, fixed overheads and variable overheads are 16,000 units, 27, Rs 30,500 and Rs 47,000, respectively. The increase in capacity is 5%. Determine variable overhead expenditure variance and fixed overhead variance, respectively.

- A. Rs 1,500 and Rs 1,000 favorable
- B. Rs 1,500 and Rs 1,000 unfavorable
- C. Rs 1,000 and Rs 1,500 unfavorable
- D. Rs 1,000 and Rs 1,500 favorable

12. Possible cause of favourable labour efficiency variances include:

- A. More efficient methods of working. Good morale amongst the workforce and good management with the result that the work force is more productive.
- B. If incentive schemes are introduced to the workforce, this may encourage employees to work more quickly and therefore give rise to a favourable efficiency variance.
- C. Using employees who are more experienced than 'standard', resulting in favourable efficiency variances as they are able to complete their work more quickly than less experienced colleagues.
- D. All of the above

@@@@@ ALL THE BEST @@@@@

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SUBJECT:MANAGEMENT ACCOUNTING-II (SUBJECT CODE: CE 303 A)
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SECTION - B

DATE: 05/03/2024
DAY : TUESDAY

EXAM TIME: 1 HOUR

TOTAL MARKS: 10

Q-1. Answer the following questions:

(15)

(A). The Standard Material Cost of a Normal Mix of 1 Ton of Product 'Beautiful' is based on:

Contents	Usage Kgs.	Price Per Kg. Rs.
Aloevera	240	6
Glycerin	400	12
Neem	640	10

During a month 6.25 Tons of Product 'Beautiful' were produced from:

Contents	Consumption in Tones	Cost Rs.
Aloevera	1.6	11,200
Glycerin	2.4	30,000
Neem	4.5	47,250

Calculate the following variances:

(i) Material Cost Variance **(ii)** Material Price Variance **(iii)** Material Usage Variance **(iv)** Material Mix Variance **(v)** Material Sub-usage Variance

(B). From the following information of Shine Ltd., Calculate:

(i) Sales Value Variance **(ii)** Sales Price Variance **(iii)** Sales Volume Variance **(iv)** Sales Mix Variance **(v)** Sales Sub-Volume Variance

Product	Standard			Actual		
	Quantity (Units)	Selling Price Rs.	Total Rs.	Quantity (Units)	Selling Price Rs.	Total Rs.
Liril	1,000	10	10,000	1,500	9	13,500
Pears	1,600	14	22,400	1,400	15	21,000
Vivel	1,400	22	30,800	2,100	20	42,000
	4,000		63,200	5,000		76,500

(C). Narrate the pros of Standard Costing.

OR

Q-1. Answer the following questions:

(15)

(A). The details of overhead cost for the month of January' 2024 of Fiama Di Vills Ltd. are as follows:

Particulars	Standard	Actual
Output Units	90,000	97,500
Operating Hours	90,000	99,000
Fixed Overheads (Rs.)	1,35,000	1,50,000
Variable Overheads (Rs.)	5,40,000	5,64,000
Operating Days	25	26

Find out the following variances:

(i) Variable Overhead Cost Variance **(ii)** Variable Overhead Rate Variance **(iii)** Variable Overhead Efficiency Variance **(iv)** Fixed Overhead Cost Variance **(v)** Fixed Overhead Budget Variance **(vi)** Fixed Overhead Volume Variance **(vii)** Fixed Overhead Efficiency Variance **(viii)** Fixed Overhead Capacity Variance **(ix)** Fixed Overhead Calendar Variance

- (B). Explain the cons of Standard Costing.
 (C). Express your view on “Idle Time Variance”.

Q-2. Answer the following questions: (15)

(A). Jasmine Ltd. is contemplating either of two mutually exclusive projects. The following details are available:

Particulars	Project ‘Nihar’ Rs.	Project ‘Nikhar’ Rs.
Initial Investment	88,803	1,46,222
Installation Charges	9,765	12,336
Erection Expenses	6,432	6,442
Earnings After Taxes:		
1 st Year	10,000	15,000
2 nd Year	15,000	20,000
3 rd Year	20,000	25,000
4 th Year	25,000	30,000
5 th Year	35,000	40,000
Salvage Value at the end of 5 th Year	5,000	15,000

Select the best project under the following techniques of capital budgeting:

(i) Simple Pay-back Period (ii) Discounted Pay-back Period (iii) Accounting Rate of Return Method (iv) Net Present Value Method (v) Profitability Index Method

Which project will be the best when the company has limited funds ? Why ?

The company has 11% Cost of Capital and the following data pertains to Present Value of Rs.1 at 11% Discounting Factor:

Year	1	2	3	4	5
P.V. @ 11%	0.901	0.812	0.731	0.659	0.593

(B). Differentiate between Independent Projects and Mutually Exclusive Projects.

(C). Elucidate “Key Factor” in Marginal Costing. When a Key Factor exists, how will the Sales Mix be determined ?

OR

Q-2. Answer the following questions: (15)

(A). Marigold Ltd. has prepared following Budget Estimates:

Sales Units 15,000	Total Sales Value Rs.1,50,000
Fixed Costs Rs.34,000	Variable Cost Per Unit Rs.6

You are required to:

- I. Find out P/V Ratio, B.E.P. in Rupees & Margin of Safety
- II. Calculate Revised P/V Ratio, B.E.P. in Rupees & Margin of Safety, in each of the following cases:
 - (i) Decrease of 10% in Selling Price
 - (ii) Increase of 10% in Variable Cost
 - (iii) Increase of Sales Volume by 2,000 Units
 - (iv) Increase of Rs.6,000 in Fixed Costs

(B). Define the following terms:

- (i) Margin of Safety & Angle of Incidence.
- (ii) Break-even Point & Profit-Volume Ratio

(C). Elucidate the merits of Marginal Costing.

*****ALL THE BEST*****