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Your Roll No. ....

4141

**M.COM. : SEMESTER-II (OC)**

**G**

Paper 6201

**MANAGERIAL ACCOUNTING**

Time : 3 Hours

Maximum Marks : 100

*(Write your Roll No. on the top immediately on receipt of this question paper.)*

Attempt *All* questions.

*All* questions carry equal marks.

1. "Management accounting is a segment of accounting that deals specifically with the accounting and reporting of information to management." Do you agree to this statement ? Explain. 20

*Or*

- (a) Define Product Cost and Period Cost. 5
- (b) Explain the concept of Discretionary cost. Give examples. 5
- (c) What are incremental Cost and Sunk Cost. 5
- (d) Financial Accounting *Vs.* Management Accounting. 5
2. ABC Limited specializes in the distribution of pharmaceutical products. It buys from the pharmaceutical companies and resells to each of the three different markets :
- (1) General supermarket chains
- (2) Drugstore chains
- (3) Chemist shops.

P.T.O.

The following data for the month of April in the current year in respect of ABC Limited has been reported :

Particulars	General Supermarket Chains	Drugstore chains	Chemist shops
Average revenue per delivery	Rs. 84975	Rs. 28875	Rs. 5445
Average cost of good sold per deliver	82500	27500	4950
Number of deliveries	300	825	2750

In the past ABC Limited has used gross margin percentage to evaluate the relative profitability of its distribution channel.

The company plans to use activity-based costing for analyzing the profitability of its distribution channels.

The activity analysis of ABC Limited is as under :

Activity area	Cost driver
Customer purchase order processing	Purchase orders by customer
Line-item ordering	Line-item per purchase order
Store delivery	Store deliveries
Cartons dispatched to stores	Cartons dispatched to a store per delivery
Shelf stocking at customer store	Hours of shelf stocking

The April current year operating costs (other than cost of good sold of ABC Limited) are Rs. 8,27,970.

These operating costs are assigned to five activity areas. The cost in each area and the quantity of the cost allocation basis used in that area for April, current year are as follows :

Activity area	Total cost in April, current year (Rs.)	Total unit of cost allocation basis used in April, current year
Customer purchase order processing	Rs. 2,20,000	5500 orders
Line-item ordering	1,75,560	58520 line items
Store delivery	1,95,250	3905 store deliveries
Cartons dispatched to store	2,09,000	209000 cartons
Shelf stocking at customer store	28,160	1760 hours

Other data for April current year include the following :

Particulars	General Supermarket	Drugstore	Chemist
	Chains	Chain	Shop
Total number of orders	385	990	4125
Average number of line items per order	14	12	10
Total number of store deliveries	330	825	2750
Average number of cartons shipped per store delivery	300	80	16
Average number of hours of shelf stocking per store delivery	3	0.6	0.1

*Required :*

- (1) Compute for April current year, gross margin percentage for each of its three distribution channels and compute RST Ltd operating income.
- (2) Compute the April current year rate per unit of the cost allocation base for each of the five activity areas.
- (3) Compute the operating income of each distribution channel in April, current year using the activity based costing information. Comment on the results.
- (4) Describe four challenges one would face in assigning the total April, current year operating cost of Rs. 827970 of five activity areas.

20

*Or*

- (a) The data below relates to Mercury Ltd. which makes and sells Television Sets : 14

	March	April
Sales	6000 (units)	12000 (units)
Production	12,000 (units)	6,000 (units)
Selling Price per unit	Rs. 100	Rs. 100
Fixed Production overheads incurred	Rs. 1,00,000	Rs. 1,00,000
Fixed production overhead cost, per unit being the predetermined overhead absorption rate	Rs. 10	Rs. 10
Selling, distribution and administrative cost (all fixed)	Rs. 50,000	Rs. 50,000
Variable cost per unit	Rs. 50	Rs. 50

You are required to present comparative statement for each month using :

(i) Absorption costing

(ii) Marginal costing.

(b) Distinguish between Absorption and Marginal Costing. 6

3. What do you understand by profit-volume ratio ? Discuss the importance of the profit-volume ratio and state how it can be improved ? 20

Or

(a) What is a break-even chart ? Highlight profit area in the graph ? State the purpose of constructing such charts. 10

(b) A factory engaged in manufacturing Pens is working to 40% capacity and produces 10,000 pens per annum. The present cost break up for one pen is as under :

Material Rs. 10

Labour Rs. 3

Overheads Rs. 5 (60% fixed)

The selling price is Rs. 20 per pen. If it is decided to work the factory at 50% capacity, the selling price falls by 3%. At 80% capacity, the selling price falls by 5% accompanied by a similar fall in the price of material. You are required to calculate the profit at 50% and 80% capacities and also show break-even points for the same capacity production. 10

4. Define 'budgetary control' and explain its objectives. Discuss how the functional budgets are built up taking any one specific example. 20

P.T.O.

*Or*

Define and explain briefly the following terms : Material price variance, Material usage variance, Material mixture variance, Material yield variance. 20

5. (a) In transfer pricing what is common conflict between a division and a company as whole. 10
- (b) Write a note on Responsibility Accounting ? 10

*Or*

Explain the methods of measuring divisional performance. Discuss the merits and demerits of using profit center and cost center as ways of measuring managerial performance. 20