(i) Compute ROI for each investment project.

(ii) Compute budgeted divisional ROI for each of the four alternatives :

(a) Air conditioner investment is made

(b) Turbo charger investment is made

(c) Both investments are made

(d) Neither additional investment is made

Assume that divisional managers are evaluated and rewarded on the basis of ROI, which alternative do you think the divisional manager will choose ?

(iii) Suppose the borrowing must be for the entire Rs. 13,00,000. Calculate EVA of the two investments taken as a package. Based on EVA, are the investments profitable ? (20)

(400)

[This question paper contains 8 printed pages.]

7737 *Your Roll No.* ....

M.COM. SEM. II (OC) **E**

Paper No. 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. (a) How do management accounting and financial accounting differ ?

(b) Explain the role and responsibilities of a management accountant in a large size business enterprise.

OR

(c) Define and illustrate the following types of cost:

(i) Direct and Indirect cost

(ii) Capital and Revenue cost

(ii) Traditional classification of costs

(iv) Joint cost and Common cost (20)

Opening raw materials inventory	Rs. 300
Closing raw materials inventory	Rs. 250
Net purchases	Rs. 410
Material price variance	Rs. 10 A
Material usage variance	Rs. 20 A
Direct labour cost (Actuals)	Rs. 900
Direct labour cost (Standard)	Rs. 840
Actual overhead cost incurred	Rs. 875
Overhead cost variance	Rs. 45 F
Opening work in progress inventory	Rs. 120
Closing work in progress inventory	Rs. 140
Opening finished goods inventory	Rs. 360
Cost of goods sold	2240

Compute :

(i) Raw material purchases at standard

(ii) Raw materials consumed at actuals

(iii) Raw materials consumed at standard

(iv) Labour cost standard

(v) Standard overhead cost

(vi) Total manufacturing cost at standard

(iii) What would operating income be if 10,000 units of X, 40,000 units of Y and 50,000 units of Z were sold ? What is the new breakeven point in units if these relationships persist in the next period ? (20)

4. (a) Golden printing company is considering replacing a machine that has been used in its factory for four years. Relevant data associated with the operations of the old machine and the new machine, neither of which has any estimated residual value, are as follows :

Old Machine

Cost of machine, 10 year life	Rs. 1,26,00,000
Annual depreciation (straight line)	Rs. 12,60,000
Annual manufacturing cost (excluding depreciation)	Rs. 42,50,000
Annual manufacturing operating expenses	Rs. 12,30,000
Annual revenue	Rs. 95,00,000
Current estimate selling price of machine	Rs. 32,40,000

New machine

Cost of machine, 6 year life	Rs. 1,44,00,000
Annual depreciation (straight line)	Rs. 24,00,000
Estimated Annual manufacturing costs, exclusive of depreciation	Rs. 18,90,000

Annual non manufacturing operating expenses and revenues are not expected to be affected by purchase of the new machines.

Required :

(i) Prepare a differential analysis report, comparing operations utilizing the new machine with operations using the present equipment.

(ii) List other factors that should be considered before a final decision is made.

(b) The January 1 cash balance of the Jay company is Rs. 5000. Sales of the first four months of the first year are expected to be as follows :

January	Rs. 65000
February	Rs. 54000
March	Rs. 66000
April	Rs. 63000

On January 1, collected amounts for November and December of the previous year are Rs. 13,500 and Rs. 39,150 respectively; collections from customer follow this pattern: 55% in the month of sale, 30% in the month following the sale, 13% in the second month following the sale and 2% uncollectible. Materials purchases for December were Rs. 10,000. Forecasts purchases for the coming year are: January Rs. 12,500; February Rs. 16,500; March Rs. 13,000; April Rs. 14,000. Purchases are usually paid by the 10th of the month following the month of purchase. Other cash expenditure of Rs. 41,000 are forecasted for each month. Calculate :

(i) Expected cash collections during February

(ii) Expected cash balance, February 1

(iii) Expected cash balance, February 28 (20)

5. (a) JS Ltd. used a full standard cost system with raw material inventory carried at standard. The following data were taken from the records of the company for the year ended 31.3.2015.

2. (a) Distinguish between traditional costing and activity-based costing. How are costs determined in ABC ?

OR

(b) What is a budgetary control ? Discuss the functions and limitations of budgeting. (20)

3. (a) Discuss the importance of transfer price on performance measurement. What are the pre-requisites of a sound transfer pricing system ?

OR

(b) The Liberty company has three product lines of belts : X, Y and Z with contribution margins of Rs. 15, Rs. 10, Rs. 5 respectively. The marketing director forecasts sales of 1,00,000 units in the coming period consisting of 10,000 units of X, 50,000 units of Y and 40,000 units of Z. The company's fixed costs for the period are Rs. 5,10,000.

Required :

(i) What is the company's break even point in units, assuming that the given sales mix is maintained ?

(ii) If the sales mix is maintained, what is the total contribution when 1,00,000 units are sold ? What is the operating income ?

(vii) Cost of goods manufactured

(viii) Cost of product sold to customers

(ix) Closing finished goods inventory

OR

(b) The manager of a division that produces add on products for the automobile industry has just been presented the opportunity to invest in two independent projects. The first is an air conditioner for the back seats of vans and mini vans. The second is a turbo charger. Without the investments, the division will have average assets for the coming year of Rs. 2,56,00,000 and expected operating income of Rs. 35,84,000. The outlay required for each investment and the expected operating income are as follows :

	Air conditioner	Turbo charger
Outlay (Rs.)	7,50,000	5,40,000
Operating Income (Rs.)	67,500	54,000

Corporate headquarters will borrow upto Rs. 13,00,000 for the automotive add on division for further investments. The amount borrowed will be through unsecured bonds at a rate of 9%. The marginal tax rate is 35%. Required :