

**31729**

**■■■■■■■■■■ M-4636**

Sl.No.

Total No. of Pages : 4

**III Semester M.Com. Examination, January 2017**  
**(Semester:Scheme)**  
**COMMERCE**  
**Elective Group E: Management Accounting**  
**SC:Marginal Costing and Decision Making (Paper-I)**

Time : 3 Hours

Max. Marks : 70

Instruction : Answer all parts.

**PART - A**

Answer any five questions. Each question carries five marks. [5×5=25]

**Q1)** Illustrate the utility of marginal costing as a tool for decision making.

**Q2)** If sales are Rs.42 lakhs, fixed cost Rs. 30,00,000, P/V ratio 40%, the amount of profit will be:

- i) Rs. 5,00,000
- ii) Rs. 8,00,000
- iii) Rs.1,20,000.

Justify your answer.

**Q3)** From the following particulars calculate Break Even Sales.

Particulars	2015	2016
Total cost (Rs.)	12,96,000	18,72,000
Sales (Rs.)	14,40,000	21,60,000

**Q4)** Calculate price, usage and mix variances from the following data:

	Standard			Actual		
	Qty(Kgs)	Price	Total	Qty(Kgs)	Price	Total
A	4	1	4	2	3.5	7
B	2	2	4	1	2	2
C	2	4	8	3	3	9

**P.T.O.**

**31729**

**M-4636**

**Q5)** A firm is producing two products. Product X and product Y. Each unit of X requires 3 kgs of raw material at Rs.3 and Y requires 4kgs at Rs.4 per kg. Both products require labour of 5 hours each at Rs.12 per hour. The firm's fixed expenses are amounted to Rs. 6,00,000 per annum. Determine the number units should be manufactured and sold to overcome the losses.

**Q6)** Brass is an alloy consisting of 70 per cent of copper and 30 per cent of zinc. In melting and processing, it is expected that a 4 per cent loss of metal will occur. Standard prices are Rs. 40,000 per ton for copper and Rs. 15,000 per ton for zinc. Using suitable figures for the purpose of illustration show clearly how you would record Material price variance and Material mix variance.

**Q7)** Enumerate the Managerial utility and adoptability of marginal costing for decision making.

**Q8)** How do you treat the adverse variance? Mention the steps to be taken to resolve it.

**PART - B**

Answer any three questions. Each question carries ten marks. [3 × 10 = 30]

**Q9)** A manufacturing concern which has adopted standard costing furnishes following information:

Standard Material for 70 kg of Finished Products=100 kg.

Price of Materials	Rs. 1 per Kg
Actual Output	2,10,000 Kg
Materials used	2,80,000Kg
Cost of materials	Rs.2,52,000

Calculate (a) Material Usage Variance (b) Material Price Variance (c) Material Cost Variance.

**31729**

**M-4636**

**Q10)** A factory is working at 40% capacity and produces 10,000 units. The selling price per unit is Rs.200/- and the cost break up is;

	Rs.
Material	0.5 times of Selling Price
Labour	30% of material
Over-heads	Rs.50 per unit (40% fixed)

When the company works at 50% capacity the selling price falls by 3% and when it works at 90% capacity, the selling price falls by 5%. Find out the profit at different levels of operation and the BEP.

**Q11)** ABC Company produced 25,000 units of Product XP-1 during 2016. Each product required 6 pounds of material at \$ 11 per pound and 2 hours of direct labor at \$15 per hour. During 2016, 160,000 pounds of material were purchased and used for \$1,750,000; payroll totaled \$743,900 for 49,000 hours.

Calculate the direct materials price and usage variances and the direct labor rate and efficiency variances. <https://www.uomonline.com>

**Q12)** What is standard costing? What standards should be considered in setting material price standard and Labour rate standard?

**Q13)** Explain the factors should be considered while making make or buy decisions.

**PART - C(Compulsory)**

**Q14)** Answer the following problem which carries 15 marks. <sup>\*</sup> [1 × 15 = 15]

ABC Ltd. manufactures three prototype toy furniture products-chairs, benches and tables. The budgeted unit cost and resource requirements of each item are detailed below:

**31729**

**M-4636**

	Chair	Bench	Table
	Rs.	Rs.	Rs.
Timber cost	5.00	15.00	10.00
Direct labour cost	4.00	10.00	8.00
Variable overhead cost	3.00	7.50	6.00
Fixed overhead cost	4.50	11.25	9.00
	16.50	43.75	33.00
Budgeted volumes per annum	4,000	2,000	1,500

These volumes are believed to equal the market demand for these products. The fixed overhead costs are attributed to the three products on the basis of direct labour hours. The labour rate is Rs. 4.00 per hour. The cost of the timber is Rs. 2.00 per square meter. The products are made from a specialist timber. A memo from the purchasing manager advises you that because of a problem with the supplier, it is to be assumed that this specialist timber is limited in supply to 20,000 square meters per annum. The sales manager has already accepted an order for 500 chairs, 100 benches and 150 tables; if not supplied would incur a financial penalty of Rs. 2,000. These quantities are included in the market demand estimates above.

The selling prices of the three products are:

Chair Rs.20.00 Bench Rs.50.00 Table Rs. 40.00

Requirements:

- Determine the optimum production plan and state the net profit that this should yield per annum.
- Calculate and explain the maximum prices which should be paid per square meter in order to obtain extra supplies of the timber.



<https://www.uomononline.com>

Whatsapp @ 9300930012

Send your old paper & get 10/-

अपने पुराने पेपर्स भेजे और 10 रुपये पायें,

Paytm or Google Pay से