STAGE — II

Paper 9: Management Accounting - Performance Management (One Paper: 3 hours: 100 marks)

Max. marks 100 Time allowed – 3 hrs.

Attempt Q. 1 & 5 others from the rest.

Q. 1 The following data are given:

Particulars	I Year	II Year
Sales	Rs.20 million	Decrease in Selling Price & decrease in Fixed Cost
Margin of Safety Ratio	25%	40%
Profit/Volume Ratio	33.333%	30%

Find followings for the II year:

a) Sales,

b) Profit,

c) Fixed Cost, &

d) Break Even Point **(20 marks)**

Q. 2 A farmer owns 300 acres of land on which he grows fruits A,B,C & D. Of the total area, 200 acres land is unsuitable for growing A & D.

The marketing policy requires that in each season all the 4 fruits must be produced and quantity of any one of them should not be less than 12000 boxes.

There is no other limiting factor.

The relevant details are given below:

Particulars	A	B	C	D
Selling Price/box (Rs.)	100	100	200	300
Season's Yield/acre (Boxes)	500	150	100	200
Weight/box (Kgs.)	30	30	40	20
Costs (Rs.):				

Material/acre	1800	700	600	1000
Acre/acre	2000	1500	1000	1300
Packing/box	10	10	20	30
Transport/box	20	20	10	30

Fixed Costs each season is:

Particulars	Amount in Rs.
Cultivation & Growing	280000
Harvesting	210000
Transport	50000
Administration	420000
Others	90000

Advise the farmer on the areas (in full acres) to be allotted to each item in order to earn the maximum total profit. What is that total profit ? **(16 marks)**

Q. 3 The trading results of Jack & Jill Ltd. for the years 2003 & 2004 were as follows:-

(Rs. in hundreds)

Particulars	2003	2004
Material consumed	1,00,000	1,32,000
Wages	60,000	66,000
Variable Overheads	12,000	14,000
Fixed Overheads	20,000	24,000
Net Profit	8,000	17,000
Sales value of products	2,00,000	2,53,000

Material prices & wage rates were increased in 2004 by 10% and sale prices were increased by 10%. Work out variances and prepare a reconciliation statement reconciling profits for the 2 years.**(16 marks)**

Q. 4 The operating particulars of a manufacturing company for 2003-04 were as follows:-

		%
Direct Materia	40	
Direct Wages	20	
Variable Factory Overheads	10	
Variable Selling & Adm. Overheads	5	
Fixed Costs	20	
Profit		5

Selling Price	100

During the year 2004-05 the Company anticipated an increase of 2.5%, 5% and 10% respectively in direct material, direct wages and factory overhead costs. The sales volume however was estimated to be Rs.320 lakhs being equivalent to 80% of the achievement of 2003-04.

After the budget for 2004-05 had been set, the company received a proposal for an export order for the utilisation of its idle capacity as under:-

(a) The prime cost of the export order is Rs.31 lakhs.

(b) Special export expenses on the whole export order are Rs.1,00,000.

(c) An export incentive of 5% on the export price is available on the export order.

Required

1. Prepare a budget for 2004-05 showing the profitability or otherwise on home sales.
2. Establish a suitable method for recovery of overheads and find the lowest price to be quoted on the export order. (16 marks)

Q. 5 Standard quantities & variable costs of simple sheet steel box are as follows:-

Material – 1.5m x 1m x 16guage sheet steel Rs.15.00

Wages – 2.5 hrs at Rs.1 per hour Rs. 2.50

Variable Overheads – 2.5 hrs. at Rs.1.50 per hour Rs. 3.75

Standard Variable Overhead cost for June is Rs.15000/- Standard direct labour hrs. for the budgeted output of 4000 boxes are 10000 hrs. Sales value of output is Rs.1 lac.

The following details apply to June –

Material – (a) purchased 5000 sheets at Rs.18/- per sheet, each 1.5m x 1m x 16 gauge

(b) Issued to production 4400 sheets

Wages – 10200 hours at Rs.1.25 per hr.

Variable overheads – Rs.16000/-

Production – Finished 4000 boxes.

In progress – 400 boxes – finished as regards material cost, 50% finished as regards wages & variable overheads.

Invoiced despatches – 3900 boxes at Rs.25 each

Determine the variances & present journal entries to cover the activities of the month, using standard values when debiting or crediting W.I.P. A/c. (16 marks)

Q. 6 What do you understand by "Cost Reduction by product design" ? Enumerate the areas in which costs can be reduced when such a programme is implemented (16marks)

Q. 7 What do you understand by Value Analysis in a Cost Reduction Programme ? What is the normal questionnaire used in conducting Value Analysis ? (16 marks)