Advanced Management Accounting – New syllabus November 2008 paper review

(old syllabus equivalent of Cost Management)

November 2008 is the first chance for the new syllabus students for CA final.

The name of this paper no:5 is Advanced Management Accounting (formerly Cost Management)

1. (a) The problem is on limiting factor section of marginal costing. There are two scenarios given. One, the data is given for peak season time and second, for off season time. Contribution per unit would be different for the same product in two different times. In each of the cases, best product mix to get maximum profit is asked. Peak season is to be handled keeping labour hours as limiting factor and off season is to be handled keeping no of units as limiting factor.

   There is an element of ambiguity in the tail portion of the question wherein it is stated that labour is freely available during non-peak season (off season) followed with maximum production possible of individual products restrictions, might possibly confuse the students that restriction in units would only be applicable for off season time. In fact, the restriction is also applicable for peak season. Specific fixed costs are provided for 2 out of 3 units. Fairly a good problem for 12 marks.

   (b) This a beauty of a problem on assignment on minimization as well as maximisation. Clever display of the paper setter's knowledge and student would have enjoyed the moments. Ideal problem for 8 marks.
2. (a) It is a problem on Transfer pricing with 3 divisions involved. Transfer price effect is like chain holding problem on holding company. Very nice question deserves 11 marks.

   (b) It is a theory question for 5 marks on the difference between Traditional management accounting and value chain analysis. Fairly a good one for 5 marks.
3. (a) It is problem on standard costing with variances provided to seek the input figures of actual materials purchased, production, sales volume, hours worked and

variable and fixed overheads incurred. In simple it is a reverse working problem. It is fully justified for 11 marks.

(b) It is a problem on throughput costing and application of theory of constraints. It is a welcome question in the new sector of throughput costing. It is a fairly a simple question for 5 marks.

4. (a) It is a problem on crashing in Net work analysis. The first part of the question is on finding the minimum duration and the cost. The second part of the question is about the optimum duration and cost, awarded only with 1mark. It is not fair to award only one mark for a sort of recomputation to find the final answers. However if both the questions were taken up cumulatively, then too, the marks are not commensurate to the time and complexity involved in the question. Definitely not a difficult problem as a whole but a time consuming one.

   (b) It is a problem on budgetary control, wherein production cost budget is to be prepared for the 1^{st} 6 months of the financial year 09-10 keeping corresponding previous year's 1^{st} half actual data and additional data in the process. It is awarded for 6 marks, a welcome question.

5. (a) It is simple theory question on the requisites for the installation of uniform costing system, asked for 4 marks.

   (b) It is a theory question on test of hypothesis on the new area included in the new syllabus. It is awarded with 5 marks, definitely an easier section for prepared students.

   (c) It is an elementary question on relevant costing for 7 marks; students would have latched on to it. Welcome question for students.

6. (a) It is a rudimentary problem on TQM, assigned with 4 marks. A careful study of the problem itself would have resulted in correct answer even if the student were to have fairly a general knowledge on the subject costing.

   (b) It is a transportation problem, a minimization one. The problem is of course to be formulated under LPP and solving part is not asked. A simple basic problem would place a student in a tight sport if the basics are not strong. 9 marks are very much ideal.

(c) It is a basic theory question on Trend analysis. Since it is the first attempt of new syllabus, the examiner had kept only basic theory question in these sectors. A cursory glance in the first few pages of this topic would have given the student an opportunity to grab 3 marks.

7. (a) It is a problem on Shut down continue problem, involving the basics of marginal costing technique applied. It is a past examination question. 6 marks can easily be secured with a basic knowledge on the subject.

   (b) Just in time basic question is asked for 6 marks. This is comparatively a simple question.

   (c) Skimming and penetration pricing policies are to be explained for 4 marks.

General Comment:

Questions are fairly easier than the old syllabus ones. Theory questions are available in the first page of the respective chapters except 7(c)

Items for comparison	**Old**	**New**
Total marks	100	100
Total no of questions to be attended	1+4	1+5
Total no of questions given	6	7
Total marks for all questions asked	119	116
Total marks for theory(without choice)	38	27
Theory marks to total marks(without choice)	32%	23%
Theory in compulsory segment (question No 1)	3 marks	No theory in compulsory

Just a quick glance of the above analysis, it is found that theory segment is getting diluted and easier questions are asked. However greater no of problems are to be attempted even though the questions are seemingly easier than the old syllabus. Definitely new syllabus students are at a better placed than old syllabus students.