

Assignment third year BCOM
MANAGEMENT ACCOUNTANCY 2

Write all the questions

- Q.1** Actual quantity consumed was 5,000kg. Actual price per kg was Rs 2. material price variance was Rs -500 and material cost variance was Rs -150 find variances from the given data find out standard requirement for actual output as well.
- Q.2** For 1 unit 3 labour hours are required and rate per hour is Rs 2, during the year units manufactured is 800 and labour hours used were 2,500 at the rate of Rs 2.2 per hour. Find out all possible variances from the given data.
- Q.3** For 1 unit of output 3kg of material and 3 labour hours are required, per unit price is Rs 2.5 per kg. And Rs 3.5 per labour hours. During the year company has manufactured 1,200 units by consuming 3,800 Kg at a total cost of Rs 8,000 and 4,000 labour hours at a total cost of Rs 9,000. find out all possible variances.
- Q.4** For 1 unit of output company requires 3 kg of material X and 5 kg of material Y rate per Kg is Rs 1.5 and 2.5 respectively for X and Y. during the year company has manufactured 5,000 units, material consumed of X is 20% more than required, and price paid for Y is 10% less than standards. Find out all variances.
- Q.5** For 1 unit of output company requires 3 labour hours, rate per hour was Rs 5. During the year company has manufactured 600 units. Actual hours paid for it was 2,000 at a total cost of Rs 12,000 and idle time was 10% of hours paid for. Calculate all possible variances
- Q.6** For producing 1 unit company requires two types of raw material X and Y. standard requirement for X is 3 Kg and 2 Kg of Y rate per Kg was Rs 2 and Rs 2.5 respectively during the year material purchased by company is 1,600 kg of X at a total cost of Rs 3,500 and that of Y is 1,200 kg and price per Kg was Rs 3. during the year company manufactured 500 units. opening stock of material X was 500 Kg and its closing stock was 250 Kg and opening stock of Y was 250 kg and closing was 200 Kg. company is having practice of valuating stock at standard price. Find out all possible variances from the given data. For 1 unit company requires 3 type of raw material A, B, and C standard requirement is 5, 2, and 3 Kg at a standard price of Rs 7.5, 6, and Rs 15 respectively for A, B, and c. the standard loss is 10% of the input actual production is 270 Kg. actual consumption of material was 160, 60 and 100 kg. At a price of Rs 8.25, 5.50 and 14.25 respectively A, B and C find out all possible variances.

Q-7 The standard material cost of a normal mix of one tone of chemical X is based on:

Chemical	Usage kgs.	Price per kg. Rs.
A	240	6
B	400	12
C	640	10

During a month 6.25 tones of X were produced from:

Chemical	Consumption in tones	Cost Rs.
A	1.6	11,200
B	2.4	30,000
C	4.5	47,250

Calculate the following variances:

- (i) Material cost variance
- (ii) Material price variance
- (iii) Material usage variance
- (iv) Material mix variance
- (v) Material sub-usage variance

Q-8 Rakhi Ltd. Uses standard system in manufacturing of its single product XYZ. The standard cost per unit of XYZ is follows :

Direct Materials 1.5 kg. at Rs. 2 per kg.	3-00
Direct labour 2 hours at Rs. 4 per hour	8-00
Variable Overhead 2 hours at Rs. 1.5 per hour	3.00
	14.00

During April 1996 6,000 units of XYZ were produced and the related data are as under :

Direct Material acquired 16,000 kgs. at Rs. 2.20 per kg.
Material consumed 10,000 kgs.
Direct labour? hours at Rs. ? per hour Rs. 51,250
Variable overheads incurred Rs. 17,500.

The variable overhead efficiency variance is Rs. 750 adverse. Variable overheads are based on direct labour hours. There was no stock of direct material in the beginning.

You are required to compute the missing figures and work out all the relevant variances

Q-9

AB company Ltd. is having standard costing system in operation for quite some time. The following data relating to the month of March 2008 is available from the cost records :

Particulars	Budgeted Actual	
Output (in units)	30,000	32,500
Operating hours	30,000	33,000
Fixed overheads (Rs.)	5,000	50,000
Variable overheads (Rs.)	60,000	68,000
Working days	25	26

You are required to work out the relevant overheads variances.

Q-10

Details of production of a factory are as follows :

Budgeted fixed overhead during January, 2003	Rs. 2,00,000
Budgeted production during January, 2003	1,00,000 units
Standard time per unit	5 hours
Actual hours of work	5,10,000 hours
Actual fixed overhead during January 2003	Rs. 2,20,000
Actual Production during January 2003	1,04,000 units

From the above details, calculate efficiency variance, expenditure variance and volume variance.

Q-11

The following information is available from the record of a factory

Particulars	Budget Actual	
Fixed Overhead for March	Rs. 40,000	Rs. 48,000
Production in March (units)	4,000	4,200
Standard time per units (hours)	10	-
Actual hours worked in March	-	44,000

Calculate the following variance from the above information :

- (i) Fixed overheads cost variance
- (ii) Expenditure variance
- (iii) Efficiency variance
- (iv) Capacity variance

Q-12

A company is considering to install two projects involving an investment of Rs.7,00,000 each. The net profits before charging depreciation from the projects are as under:

Year	Project-U (Rs.)	Project-T (Rs.)
1	2,25,000	1,45,000
2	1,30,000	2,70,000
3	1,05,000	1,10,000
4	85,000	65,000
5	98,000	1,85,000

Calculate pay-back period of both the projects, with the help of discounted cash flow. Assume no corporate tax is in implementation. Discount rate is 7.5%. What will be the difference in your answer if corporate tax is 49%.

Q-13

A company is considering to invest Rs.1,00,000 in a Capital project. Its scrap value is zero and its economic life is 5 years. Tax is 40%. The straight line method is used by the company to provide depreciation. Its Cash flow before tax is as follows:

First Year	Rs. 20,000
Second Year	Rs. 15,400
Third Year	Rs. 12,000
Forth Year	Rs. 18,000
Fifth Year	Rs. 35,000

The present value factors at 10% are as follows:

First Year	0.909
Second Year	0.827
Third Year	0.751
Forth Year	0.683
Fifth Year	0.621

The rate of discount is 10%.

From the above information find out: (1) Profitability on the basis of net present value method at 10% rate of discount. (2) Profitability index

Q-14 A company has an investment opportunity costing Rs. 42,000 with the following expected net cash flow (i.e. after taxes and before depreciation)

Year	Net Cash Flow (Rs.)
1	9,000
2	12,000
3	5,000
4	8,500
5	6,000

The present value factors at 8% are as follows:

First Year	0.926
Second Year	0.857
Third Year	0.794
Forth Year	0.735
Fifth Year	0.681

Using 8% as the cost of capital determine the following:

- (1) Pay-back period.
- (2) Discounted pay-back period.
- (3) Net present value at 8% discounting factor.
- (4) Profitability index at 8% discounting factor.

Q-15

A Company is considering the purchase of a new machine, which will carry out some operations performed by labour. X and Y are alternative models. From the following information you are required to prepare a profitability statement and work out the (i) pay back period and (ii) Return on investment in respect of each machine.

	Machine X	Machine Y
Estimated life of Machine (Years)	6	7
	Rs.	Rs.
Cost of Machine	2,00,000	3,00,000
Cost of indirect Materials	5,000	6,000
Estimated Savings in Scrap	12,000	17,000
Additional Cost of Maintenance	10,500	8,500
Estimated Savings in direct wages:-		
Employees not required (No.)	170	250
Wages per Employee	580	580

Taxation is to be regarded as 48% of profit. Ignore depreciation for calculation of tax. Which machine would you recommend? State your reason what will be the difference in your answer if Accounting rate of return is to be found out?

Q-16

A company is considering two mutually exclusive proposals "P" and "Q".

Proposal "P" will require an initial cost of 2,20,000 with a salvage value of Rs. 20,000 and will also require an increase in the level of inventories and receivables of Rs.80,000 over its life. The project will generate an additional sales of Rs.3,00,000 and will require cash expenses of Rs.65,000 in each year of its 5 year life. It will be depreciated as per straight line method.

Proposal "Q" will require an initial capital of Rs.1,70,000 with a salvage value of Rs.20,000 and will be depreciated on strightline basis. The expected earnings before depreciation and taxes during its life are:

	Rs.
1 st Year	1,35,000
2 nd Year	1,15,000
3 rd Year	85,000
4 th Year	1,05,000
5 th Year	1,40,000

The Company has to pay corporate income tax at the rate of 55% and is evaluating projects with 12% as the cost of capital.

- (1) Which of the project is acceptable under the present value method?
 - (2) Will it make any difference to the above decision if profitability index is employed?
- The present value of Re.1 at the discount rate of 12% for the first five years is 0.893,

0.797, 0.712, 0.636 and 0.567.

Q-17

Mr. Samir a financial manager of CHETAN Company Ltd. Is considering an investment project costing Rs. 3,00,000 and it will have a scrap value of Rs. 20,000 at the end of 5 year life. The transportation charges are expected to be Rs. 10,000 and Rs. 40,000 respectively. The requirement of working capital will be Rs. 10,000. If the project is accepted, spare-parts inventory of Rs. 20,000 must also be required for maintenance. It is estimated that spare-parts will have an estimated scarp value after 5 years at 60 % of their initial costs.

Annual revenue from the project is expected to be Rs. 3,40,000 and annual labour, material an maintenance expenses are estimated to be Rs. 30,000 Rs. 1,00,000 and Rs. 10,000 respectively.

The depreciation and taxes for each of the five years will be :

Year	Depreciation	Taxes
1	1,44,000	22,400
2	86,400	45,440
3	64,800	54,080
4	43,200	62,720
5	1,600	79,360