

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Management Accounting
Semester-II (Batch: 2016-21)

End Semester Examination: April-May 2017

Date: 9th May, 2017

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.

Answer [all] Questions**Marks**

- Q.1 (a) "Management Accounting serves as a tool to the management". Analyze this statement. (3+3=06)
(b) Discuss the problems with the apportionment of overheads.

OR

Form the following data, calculate the Earnings Per Share (EPS)

Net Profit Before Taxes Rs. 4,00,000

Tax rate @40%

5% Preference shares of Rs. 100 each Rs. 1,00,000

Equity Shares of Rs. 4,00,000, Face Value Rs. 10

Market Price per share Rs. 150

- Q.2 (a) Describe the shortcomings of Current Ratio and Quick Ratio as measures of liquidity. (2+2=04)
(b) Enlist the transactions of a firm, which are categorised as Cash from Investing activities.
- Q.3 (a) Jaldhara Motors Limited consumes 1, 00,000 units of rotors per year for production of its motor pumps. The ordering, receiving and handling cost are Rs. 6 per order while the trucking cost are Rs. 24 per order. Historical figures reveals: deterioration and obsolescence costs Rs. 0.008 per unit per year, storage costs Rs. 2,000 per year for storing 1,00,000 units. Interest cost is Rs. 0.12 per unit per year. The purchase manager procures 5,000 units in each supply. Calculate savings when Economic Ordering Quantity is procured. (03)
- (b) SoNy Tele Ltd. are the manufacturers of IPS Display Panels. The following are the details of the operations during the previous year. (07)

Normal Usage (panels per week)	1000 Nos.
Cost of Material usage (per panel)	5000 Rs.
Minimum Usage (panels per week)	500 Nos.
Maximum Usage (panels per week)	2000 Nos.
Lead time of supplies of Materials for panel	6-8 Weeks

Ordering Cost (per order)	1000 Rs.
Inventory carrying cost (percent per annum)	20

Compute from the above mentioned facts:

- Economic Order Quantity. If the supplier is willing to supply materials for quarterly 15,000 units at a discount of 5 per cent, is it worth accepting?
- Maximum level of stock
- Minimum level of stock
- Reorder level

- Q.4 The following are the transactions in respect of purchases and issues of components forming part of an assembly of a product manufactured by a firm which requires updating its cost of production very often for bidding tenders and finalizing cost plus contracts. (10)

Date	Quantity	Particulars
January 5	1000	Purchased @ Rs. 1.20 each
January 11	2000	Issued
February 1	1500	Purchased @ Rs. 1.30 each
February 18	2400	Issued
February 26	1000	Issued
March 8	1000	Purchased @ Rs. 1.40 each
March 17	1500	Purchased @ Rs. 1.30 each
March 28	2000	Issued

The stock on 1st January was 5000 units valued at Rs. 1.10 each. State the method you would adopt in pricing the issue of components by giving reasons. What value would you place on stocks as on 31st March which happens to be the financial year end?

- Q.5 The expenditures incurred in Happy Products Ltd., manufacturing and selling of product 'X' for the three months ended on 31-03-2011 is as given below: (10)

Particulars	Amount Rs.
Direct Material Cost	30,000
Engineers Fees	1,000
Power and Fuel	7,000
Direct Wages	2,000
Office Salary	5,000
Trade Discount	500
Chargeable Expenses	4,000
Machine Repairs	3,000
General Expenses	4,000
Catalogue Expenses	1,500
Operating Wages	13,000
Time keeping Expenses	2,000
Electricity Charges	2,000
Donations for Prime Minister Relief Fund	1,000
Tendering Expenses	1,000
Commission on Sales	2,500
Tons Manufactured	1,000
Tons Sold	950

Calculate profits when sales are made at Rs. 100 per ton.

- Q.6 From the following information of Kabir Ltd., you are required to prepare a statement of overhead apportionment. (10)

Particulars	Production Units			Service Centers	
	P	Q	R	S1	S2
Direct Wages	20,000	30,000	40,000	15,000	25,000
Direct Expenses	10,000	15,000	25,000	10,000	15,000

Particulars	P	Q	R	S1	S2
Area of Sq. Ft.	200	300	400	400	500
No. of Workers	8	6	4	2	8
Light Points	6	3	12	12	15
Kwh	200	300	450	-	250
No. of Materials Requisitions	500	1000	500	50	50
Value of Machinery (Rs.)	5,000	10,000	15,000	30,000	30,000

The Following expenses were incurred:

Rent, rates & taxes Rs. 1,500, Insurance Rs. 3,600, Depreciation Rs. 7,200, Power cost Rs. 12,000, Repairs & Maintenance building Rs. 10,800, Electricity charges Rs. 9,600, Store maintenance Rs. 25,200, Staff welfare expenses Rs. 11,200, E.S.I.C. contributions Rs. 14,000

Additional Information:

- Services of S2 were provided to other cost centers in the ratio of 40%, 30%, 10% and 20% respectively.
- Services of S1 provided to production departments in the ratio of 1:2:1
