**JAIPURIA INSTITUTE OF MANAGEMENT, INDORE**

**PGDM**

**SECOND TRIMESTER (Batch 2019-21)**

**END TERM SPECIAL IMPROVEMENT EXAMINATION, SEPTEMBER -2020**

|  |  |  |  |
| --- | --- | --- | --- |
| Course Name | **Management Accounting** | Course Code | **FIN202** |
| Max. Time | **2 hours** | Max. Marks | **60** |

**INSTRUCTIONS:**

Attempt all questions. Each question carries 15 marks.

**Q.1** Robotix Ltd. has traditionally used direct labour cost to allocate overhead to its two products—hammers and mallets. To improve cost determination, Robotix set up 3 activity pools: setups, purchase ordering, and quality control. Robotix provided the following information for the last quarter of 2020 related to the actual production of 4,800 nails and 3,200 screws:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Estimated Cost (in Rs.) | Expected Activity | Activity |
| nails | screws |
| Setups | 2,34,000 | 480 setups | 280 setups | 200 setups |
| Purchase ordering |  1,05,300 | 450 orders | 210 orders | 240 orders |
| Quality control |  1,23,000 | 1000 inspections | 450 inspections | 550 inspections |
| Direct labour | 1,31,400 | 1000 hours | 600 hours | 400 hours |
| Direct materials | 58,080 | 4,500 kilograms | 2,100 kilograms | 2,400 kilograms |

1. How much is the overhead unit cost of each hammer using activity-based costing?
2. How much is the overhead unit cost of each hammer if the company continues to use one cost pool? (Round your intermediate calculations to two decimal places)

**Q. 2** Indigo blue sells 2 models of deck chairs: Blue Magoo and Red Ahead. Operating results for June are below:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Blue Magoo | Red Ahead | Total |
| Units sold | 4,000 | 4,500 | 8,500 |
| Revenue | Rs. 36,000  | Rs. 22,500  | Rs. 58,500  |
| Variable departmental costs  | 14,000 | 13,500 | 27,500  |
| Direct fixed costs | 6,000 | 4,000 | 10,000  |
| Allocated fixed costs |  8,000 |  9,000 |  17,000  |
| Net income | Rs. 8,000  | (Rs. 4,000) | Rs. 4,000  |

If Red Ahead is discontinued, management estimates that sales of Blue Magoo will increase by 20%.

Prepare an incremental analysis in good form to determine the incremental effect on net income of discontinuing the desktop computer line.

**Q.3** MG Manufacturing Ltd. produces a battery that it sells for Rs. 20 each. The cost of producing 50000 battery in the prior year was:

Direct material Rs. 3,00,000

Direct labor 50,000

Variable overhead 1,50,000

Fixed overhead 2,00,000

Total cost Rs. 7,00,000

At the start of the current year, the company received an order for 5,000 battery from a company in Indonesia. Management of MG Ltd. has mixed feelings about the order. On the one hand, they welcome the order because they currently have excess capacity. This is also the company’s first international order. On the other hand, the company in Indonesia is only willing to pay Rs. 13 for each battery. What will be the effect on profit of accepting the order?

**Q.4** In the fourth quarter of 2019, KK Tyres had the following net income:

Sales Rs.200,000

Less cost of sales 75,000

Gross margin 125,000

Selling and administration costs 55,000

Income before taxes 70,000

Income taxes 21,000

Net income Rs. 49,000

Purchases in the fourth quarter of 2019 amounted to Rs.85,000. Estimated data for 2020 is as follows:

 **First** **Second** **Third** **Fourth**

 **Quarter Quarter Quarter Quarter**

Sales Rs.150,000 Rs.175,000 Rs.200,000 Rs.225,000

Cost of sales 85,000 100,000 115,000 75,000

Purchases 100,000 115,000 125,000 140,000

Selling and admin. 55,000 55,000 55,000 55,000

* Taxes are 30% of pretax income and are paid in the month of accrual.
* All sales are on credit and 30% are collected in the quarter of sale and 70% are collected in the next quarter.
* 40% of purchases are paid in the quarter of purchase and 60% in the next quarter.
* Selling and administrative expenses are paid in the quarter incurred.
* There is Rs.5500 of depreciation included in selling and administrative expense.
* A capital expenditure for Rs.20,000 is planned for the fourth quarter of 2020.

Prepare a cash disbursements budget for the second quarter of 2020.