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**Roll No. ....**

## **BCH-202(ACCA)**

**B. COM. (H) (ACCA)  
(SECOND SEMESTER)**

**MID SEMESTER  
EXAMINATION, April, 2023  
MANAGEMENT ACCOUNTING**

**Time : 1½ Hours**

**Maximum Marks : 50**

**Note :** (i) Answer all the questions by choosing any *one* of the sub-questions.

(ii) Each sub-question carries 10 marks.

1. (a) Describe the purpose and role of cost and management accounting within an organisation. (CO1)

OR

- (b) A business has inventory of material A of 400 units valued at \$2.20 per unit at 1 September. During the month of

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September the movements of material A were as follows : (CO1)

5 September Issue = 250 units

10 September Receipt = 500 units

@ \$2.50 per unit

15 September Issue = 340 units

18 September Receipt = 400 units

@ \$2.70 per unit

27 September Issue = 600 units

Calculate the value of Closing Inventory and Issues as per FIFO and LIFO method.

2. (a) Explain the importance of the distinction between production and non-production costs when valuing output and inventories.

(CO1)

- (b) (i) A manufacturer uses 1,00,000 components costing \$1 each at a constant rate throughout the year. The cost of making a single order for more components is \$10 and the holding costs for each component are 0.5% of the average inventory value. What is the EOQ ?

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- (ii) At 31 March 20X1 an organisation had 5,400 employees. During the previous year 750 had left the organisation, although the management had decided that only 600 needed replacing and had recruited accordingly. What was the labour turnover rate for the year to 31 March, 20X1 (to 2 decimal places) ? (CO1)

3. (a) Discuss the concept of under and over absorption of overheads with the help of suitable examples. (CO2)

OR

- (b) An organisation has the following total costs at three activity levels : (CO2)

Activity level

(units) : 16,000    24,000    30,000

Total cost : \$81,600    \$1,00,000    \$1,09,600

Variable cost per unit is constant within this activity range and there is a step up of 20% in the total fixed costs when the activity level exceeds 22000 units. What is the total cost at an activity level of 20000 units ?

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4. (a) Analyze the basis of difference between absorption and marginal costing technique. (CO2)

OR

- (b) A manufacturing organization has two production departments (Machining and Finishing) and two service departments (Quality Control and Maintenance). After primary apportionment the overheads for the factory are as follows : (CO2)

	Machining	Finishing	Qc	Maintenance
Overheads	\$220,000	\$160,000	\$140,000	\$113,000
Work done by QC	45%	35%	—	20%
Work done by Maintenance	30%	40%	30%	—

Calculate the total overheads of all production departments. (You can use any method for calculation).

5. (a) Illustrate the classification of cost on different basis. (CO2)

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5. (a) Illustrate the classification of cost on different basis. (CO2)

OR

- (b) Duo Ltd. makes and sells one product, the Alpha. The following information is available for period 3 : (CO2)
- |                           |      |
|---------------------------|------|
| Production (units)        | 2500 |
| Sales (units)             | 2300 |
| Opening inventory (units) | 0    |
- Financial data :

	Alpha (\$)
Unit selling price	90
Unit cost : direct materials	15
direct labour	18
Variable production overheads :	12
fixed production overheads	30
variable selling overheads	1

Fixed production overheads for the period were \$52,500 and fixed administration overheads were \$13,500. You are required to prepare a statement of profit or loss for period 3 based on marginal costing and absorption principles.