

M.com. sem. 3

504. Accountancy

(Management Accounting - I)

(Nov. 2021)

Q.1 (b)

Wisdom Co.

Standard Quantity for Actual Production
 $= 2000 \text{ units} \times 10 \text{ kg.}$
 $= \underline{20,000 \text{ kg.}}$

Actual Price : $\frac{207360}{21,600 \text{ kg.}}$
 $= \underline{9.6}$

(I) Operating Variance (As per opportunity cost)

(a) Material cost variance

$$\begin{aligned} & (RQA \times RSP) - (AQ \times AP) \\ & = (20,000 \times 9) - (21,600 \times 9.6) \\ & = 180000 - 207360 \\ & = -27,360 \text{ (A)} \end{aligned}$$

(b) Material Price Variance

$$\begin{aligned} & AQ \times (RSP - AP) \\ & = 21,600 (9 - 9.6) \\ & = -12,960 \text{ (A)} \end{aligned}$$

(c) Material Usage Variance

$$\begin{aligned} &= SQP (SQ - AQ) \\ &= 9 (20,000 - 21,600) \\ &= -14,400 \text{ (A)} \end{aligned}$$

→ Planning Variance

$$\begin{aligned} &= \text{Original std.} - \text{Revi. std.} \\ &= (20,000 \times 6) - (20,000 \times 9) \\ &= 1,20,000 - 1,80,000 \\ &= -60,000 \text{ (A)} \end{aligned}$$

(ii) Variance as per Traditional Method.

(i) Material cost variance

$$\begin{aligned} &= (SQ \times SP) - CAQ - AP \\ &= (20,000 \times 6) - (21,600 \times 9.6) \\ &= 1,20,000 - 207,360 \\ &= -87,360 \text{ (A)} \end{aligned}$$

(ii) Material Price Variance

$$= AQ (SP - AP)$$

$$= 21,600 (6 - 9.6)$$

$$= - 77,760 \text{ (A)}$$

(iii) Material Usage Variance

$$= SP (SQ - AQ)$$

$$= 6 (20,000 - 21,600)$$

$$= - 9600 \text{ (A)}$$

Q. 2

Jayhind Ltel.

Production Budget for
Product 'M'

	1 st Quarter 2022	2 nd Qu. 2022	3 rd Qu. 2022	4 th Qu. 2022
Particular				
Sales.	2000	4720	4320	4960
+ clo. stock.	2360	2160	2480	4400
	(4720 x 50%)	(4320 x 50%)	(4960 x 50%)	
(-) op. stock.	(400)	(2360)	(2160)	(2480)
	(2000 x 20%)			
Budgeted prod'n	3960	4520	4640	6880

Total Budgeted Production for product 'M'

$$= 3960 + 4520 + 4640 + 6880$$

units units units units

$$= 20,000 \text{ units.}$$

Production Budget for Product 'N'

	1 st Qu. 2022	2 nd Qu. 2022	3 rd Qu. 2022	4 th Qu. 2022
Particulars				
Sale	4000	2000	2500	1500
+ Clo. Stock	1000	1250	750	2000
	(2000 x 50%)	(2500 x 50%)	(1500 x 50%)	
- Op. Stock	(4000)	(1000)	(1250)	(750)
Budgeted Prod ⁿ	1000	2250	2000	2750
	Units	Units	units	units

Budgeted Total Production for Product 'N'

$$= 1000 + 2250 + 2000 + 2750$$

Unit Units units units

$$= 8000 \text{ units.}$$

Q. 3.

Shiv Ltd.

Material Ledger

Dr. Control Alc.		Cr.	
Particular	₹	Particular	₹
To M/A Alc (Actual)	74,000	By WIP Alc	74,000
	<u>74,000</u>		<u>74,000</u>

Dr. Labour Control Account		Cr.	
Particular	₹	Particular	₹
To M/A alc (Actual)	87,200	By WIP alc.	87,200
	<u>87,200</u>		<u>87,200</u>

Dr. Variable oh control Account		Cr.	
Particular	Amt	Particular	Amt
To M/A alc.	108,400	By WIP alc	108,400
	<u>108,400</u>		<u>108,400</u>

Dr. Fixed oh control account		Cr.	
Particular	₹	Particular	₹
To M/A alc.	65,200	By WIP alc	65,200
	<u>65,200</u>		<u>65,200</u>

Dr. W.J.P. Account

Cr.

Particular	₹	Particular	₹
To Material	74,000	By fini. goods	33040
ledg. control a/c		led. control a/c	
To labour	8720	By MPV.	800
control a/c		By MOV	1200
To Vari. oh.	10840	By LEV	1600
control a/c		By Vari. oh.	2400
To Fixed oh	6520	By Vari.	
control a/c		By fixed oh.	1200
To W.A.V.	800	exp. Vari.	
To Vari. oh.	2000		
exp. a/c			
	<u>33760</u>		<u>33760</u>

Dr. Finish goods ledger control Account Cr.

Particular	₹	Particular	₹
To WJP a/c	33040	By cost of sale	33040
	<u>33040</u>	a/c	
			<u>33040</u>

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Dr. Material Price Variance A/c.		Cr.	
Particular	₹	Particular	₹
To WIP a/c	800	By Costing P/L	800
	<u>800</u>		<u>800</u>

Dr. Material Usage Variance A/c.		Cr.	
Particular	₹	Particular	₹
To WIP a/c	1200	By Costing P/L a/c	1200
	<u>1200</u>		<u>1200</u>

Dr. Labour Efficiency Variance A/c.		Cr.	
Particular	₹	Particular	₹
To WIP a/c	1600	By Costing P/L a/c	1600
	<u>1600</u>		<u>1600</u>

Dr. Wage Rate Variance A/c.		Cr.	
Particular	₹	Particular	₹
To Costing P/L a/c	800	By WIP a/c	800
	<u>800</u>		<u>800</u>

Dr. Variable oh exp. Vari. A/c.		Cr.	
Particular	₹	Particular	₹
To Costing P/L a/c	2000	By WIP a/c	2000
	<u>2000</u>		<u>2000</u>

Var. ohs. efficiency		Var. Alc.	
Particulars	₹	Particulars	₹
To WIP acc.	2400	To costing P&L acc.	2400
	<u>2400</u>		<u>2400</u>

Fixed oh expense		Var. Alc.	
Particulars	₹	Particulars	₹
To WIP	1200	To costing P&L acc.	1200
	<u>1200</u>		<u>1200</u>

Costing P11 a/c

To MPV a/c	800	By WRV.	800
To MUV a/c	1200	By Vari. o/h	2000
To LEV.	1600	By exp. a/c	
To vari. o/h		By cost of	14960
eff. vari	2000	sale a/c.	
To fixed o/h			
exp. vari.	1200		
To c/l A a/c	14520		
c profit			
	<u>15240</u>		<u>15240</u>

General ledger	Adjustment Alc.
Particulars	Particulars
To cost of Sales alc.	By m/c alc 7400
	By labour control alc 8720
	By vari. o/h control alc 10840
	By fixed o/h control alc 6520
	By costing P/L alc 14520
<u>48000</u>	<u>48000</u>

Q.4 (A)

Virat Co. Ltd. ...

$$C = 1000 \text{ ₹}$$

Expected value of benefit = $L =$

$$12,000 \text{ ₹} - 2000 \text{ ₹}$$

$$= 10,000 \text{ ₹}$$

Here, benefit is equal to 2 months

So, MCV: 6000 per month so, for

2 month it will be $2 \times 6000 = 12,000 \text{ ₹}$

$$C < (1-P) L$$

$$1000 < (0.4) (10,000)$$

$$1000 < 4000$$

Thus, inequality function is satisfied.

In order to find out the minimum Probability $(1-P)$

$$C = (1-P) L$$

$$1000 = (1-P) 10,000$$

$$\frac{1000}{10,000} = (1-P)$$

$$\frac{10,000}{10,000}$$

$$0.10$$

Here, the Probability of finding a correctable cause has been asked. That is the Probability of Variance being controllable, so we have to find

out the value of $(1-p)$.

N.C.A.

A.S M.C.A.

1) D → flexible budget

2) B → Master Budget

3) A → Zero Based Budgeting

4) C → Probability that the Variance is controllable

5) B → $C < (1-P)L$

6) B → Internal decision making

7) D → Operating Costing

8) A → -3000
SR (Idle time)
15 (2w)
-3000

9) A → Original std. - Revised std.

10) A → Financial Accounts.