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**NATIONAL LAW UNIVERSITY, JODHPUR**  
End Term Examination November – 2024  
UG V Semester  
Finance II (Cost and Management Accounting)

**Time: 3 Hours**

**Marks: 100**

**Instructions:**

- i. *Attempt any five questions.*
- ii. *Use of simple calculator is permitted.*

Q.1). A. Briefly explain the objectives of management accounting.  
B. Differentiate between cost accounting and financial accounting.

(Marks 12+8=20)

Q.2). Exemplify operational and behavioral benefits that are generally attributed to a participative budgetary process. Identify deficiencies in participative policy for planning and performance evaluation purpose and recommend how it can be corrected.

(Marks 20)

Q.3). A. Identify and explain the types of activity hierarchies and the types of activity cost drivers as used in Activity Based Costing.

B. Explain the rules that help to guide the application of Activity Based Costing in case of a multi-plant manufacturing company.

(Marks 10+10 = 20)

Q.4). A cleansing agent is manufactured from the input of three ingredients.

On 1st December, there was no work in progress.

During December the ingredients were put into the process in the following quantities:

A 2000 kgs at 0.80 per kg

B 3000 kgs at 0.50 per kg

C 6000 kgs at 0.40 per kg

Additionally, labour working for 941 hours and being paid Rs 4 per hour was incurred, and overheads allocated on the basis of 50% of labour cost.

There was no loss in the process.

Output was 8600 kg.

The remaining incomplete items (work in process) were assessed by the company's works manager as follows:

- 100% complete so far as materials were concerned.
- One quarter of the items were 60% complete for labour and overheads.
- Three quarters were 25% complete for labour and overheads.

Prepare a cleansing agent process account, showing clearly the cost of the output and work in progress carried forward.

(Marks 20)

Q. 5). Toytopia Corporation has established the following standard for the prime costs of one unit of its chief product, dartboards.

	Standard quantity	Standard rate	Standard Cost
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Direct Material	16 units	Rs 3.5 per unit	Rs 56
Direct Labor	0.5 hour	Rs 160 per hour	Rs 80
Total			Rs 136

During June 2024, Toytopia purchased 160000 units of direct material at a total cost of Rs 608000. The total wages for June were Rs 840000, 90 percent of which were for direct labor. Toytopia manufactured 38000 dartboards during June, using 285000 units of direct material and 10000 direct labor hours.

Compute direct material price variance, direct material quantity variance, direct labor rate variance and direct labor efficiency variance and indicate whether each is favorable or unfavorable and discuss their possible causes.

(Marks 20)

Q.6). Nano's Toys Store is located on New Street in Jodhpur. It has a magic department near the main door. Suppose that the management is considering dropping the magic department as it has consistently shown an operating loss.

The predicted income statements, in thousands of INR, are as follows:

	Total	General Merchandise	Electronic Products	Magic Department
Sales	Rs 12,000	Rs 10,000	Rs 800	Rs 1,200
Variable expenses	8,180	7,000	400	780
Contribution margin	3,820 (32%)	3,000 (30%)	400 (50%)	420 (35%)
Fixed expenses (compensation, depreciation, property taxes, insurance, etc.)	2,220	1,500	100	620
Operating income	1,600	1,500	300	(200)

The Rs 6,20,000 of magic department fixed expenses include the compensation of employees for Rs 2,00,000. These employees will be released if the magic department is abandoned. All of the magic department's equipment is fully depreciated, so none of Rs 6,20,000 pertains to such items. Furthermore, disposal values of equipment will be exactly offset by the costs of removal and remodelling.

If the magic department is dropped, the manager will use the vacated space for either more general merchandise or more electronic products. The expansion of general merchandise would not entail any additional salaried help, but more electronic products would require an additional person at an annual cost of Rs 50,000. The manager thinks that sales of general merchandise would increase by Rs 6,00,000; electronic products by Rs 4,00,000. The manager's modest predictions are partially based on the fact that she thinks that the magic department has helped lure customers to the store and thus improved overall sales. If the magic department is closed, that lure would be gone.

Should the magic department be closed? Provide a quantitative and qualitative analysis.

(Marks 20)