Assignment

Semester VI

MANAGEMENT ACCOUNTING 2

Q: 1

Standard labour hours and rate of production of Article P is given below :

Labour	Hours per unit	Rate per hour Rs.	Total Rs.
Skilled	8	5	40
Unskilled	6	4	24
Semi-skilled	4	3	12
			76

Actual performance : Actual production 10,000 units.

Labour	Hours	Rate per hour Rs.	Total Rs.
Skilled	90,000	4.00	3,60,000
Unskilled	51,000	5.00	2,55,000
Semi-skilled	30,000	2.50	75,000

Calculate the following variances :

(1) Labour cost variance

(2) Labour rate variance

(3) Labour efficiency variance

(4) Labour mix variance.

Q: 2

The following details are taken from the cost records of Ajay Ltd. Calculate Fixed Overheads Variances :

Particulars		Standard	Actual
Hours		550	450
Fixed overheads	(Rs.)	26,400	26,880
Standard Production rate per hour	(Units)	6	–
Days		25	27
Production	(Units)	–	3,696

Calculate :

(1) Total Fixed overhead variance

(2) Expenditure (Budget) variance

(3) Volume variance

(4) Efficiency variance

(5) Capacity variance

(6) Calendar variance

Q: 3

(1) Rakeshbhai borrowed Rs. 40,000 for 8 years from a financial firm. The compound interest rate is 6% for the first two years, 7% for the next 3 years and 8% for the rest of the years. What amount will Rakeshbhai return to the financial firm at the end of the period ?

(2) A person invests Rs. 4,000 every six months at 12% interest for the period of 10 years. Interest gets compounded half-yearly. What amount will the person get at the end of 10 years ?

(3) If the annual interest rate is 8%, what will be the present value of Rs. 5,000 received at the end of the 2nd and the 4th year ?

Q: 4

Somnath Co. Ltd. is considering to purchase a machine. There are two machines available. The cost is Rs. 8,00,000. The estimated life of each machine is 5 years. The scrap value is Rs. 40,000. The company's required rate of return is 12%. The rate of tax is 50%. The expected earning before depreciation and taxes for two machines are as follows :

Year	A	B
1	5,20,000	4,40,000
2	4,00,000	5,20,000
3	3,20,000	3,20,000
4	2,80,000	2,40,000
5	2,00,000	2,80,000

Select the most profitable machine by following method :

(1) Pay back method

(2) Average rate of return

(3) Net present value

(4) Profitability index.

The present value of Re. 1 at the discount rate of 12% for five year : 0.893, 0.797, 0.712, 0.636, 0.567.

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