Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 2 – EXAMINATION – SUMMER 2019

Subject Code: 2820001 Date:10/05/2019

Subject Name: Cost and Management Accounting (CMA)

Time: 10:30 AM To 01:30 PM Total Marks: 70

Instructions:

1. **Attempt all questions.**
2. **Make suitable assumptions wherever necessary.**
3. **Figures to the right indicate full marks.**

Q.1(a) Answer the following :- **6**

1. Which of the following is a part of office cost ?

   A. Salary B. Factory Rent
   C. Direct expenses D. Selling expenses

2. If variable cost increases then P/V ratio at same level of sales?

   A. Increases B. Decreases
   C. No change D None of the above

3. Which of the following is part of operating costing?

   A. Steel industry B. Cement industry
   C. Transportation D. None of the above

4. If actual loss is greater than normal loss then it is called

   A. Normal loss B. Abnormal gain
   C. None of the above? D. Abnormal loss

5. Budget at different level of output is known as

   A. Fixed budget B. Standard Budget
   C. Flexible Budget D. None of the above

6. In make or buy decision which of the following cost is ignored?

   A. Variable cost B. None of the above
   C. Both fixed & Variable D. Fixed Cost

Q.1 (b) Explain the following: **04**

1) Job Costing 2) Direct Cost
3) Period Cost 4) Standard Cost

Q.1 (c) The sales of a company are @ Rs. 200 per unit = Rs. 20,00,000 **04**
Variable cost 12,00,000 Fixed cost 6,00,000
The capacity of the factory 15,000 units
Determine the BEP. How much profit is the company making?

Q.2 (a) Difference between cost and financial accounting **07**

(b) Shanker has been promised a contract to run a tourist car on a 20 km. long mute for the chief executive of a multinational firm. He buys a car costing Rs.1,50,000. The annual cost of insurance and taxes are Rs. 4,500 and Rs.900 respectively. He has to pay Rs.500 per month for a garage where he keeps the car when it is not in use. The annual repair costs are estimated at Rs.4,000. The car is estimated to have a life of 10 years, at the end of which the scrap value is likely to be Rs.50,000.

He hires a driver who is to be paid Rs.300 per month plus 10% of the takings as commission. Other incidental expenses are estimated at Rs.200 per month. Petrol and oil will cost Rs.100 per 100 kms. The car will make 4 round trips each day. Assuming a profit of 15% on takings is desired and that the car will be on the road for 25 days on an average per month what should he charge per round-trip? **07**

OR

(b) The following information has been obtained form the records of ABC Co. Ltd. for the month of January, 2014:

Cost of raw materials on 1/01/2014 30,000
Purchase of raw materials during the month 4,50,000
Wages paid 2,30,000
Factory overheads 92,000
Cost of work-in-progress on 1/01/2014 12,000
Cost of raw materials on 30 /01/2014 25,000
Cost of work-in-progress on 30 /01/2014 15,000
Cost of stock of finished goods on 1 /01/2014 60,000
Cost of stock of finished goods on 30 /01/2014 55,000
Administration overheads 30,000
Selling and distribution overheads 20,000
Sales 9,00,000
Prepare: (i) Cost sheet showing the cost of production of goods manufactured, and (ii) Statement showing the cost of sales and the profit earned. **07**

Q.3 (a) Explain the characteristics of process costing **07**

(b) In a manufacturing process, the following standards apply: **07**

Standard Price: Raw material A Rs.1 per kg.
Raw materials B Rs. 5 per kg.
Standard Mix 75% A; 25% B (by weight)
Standard Yield : 90%
In a period the actual costs, usage and output were as follows:

Used: 4,400 kgs. of A costing Rs. 4,650
1,600 kgs. of B costing Rs. 7,850
Output: 5,670 kgs. of products

OR

Q.3 (a) Explain any one method used in costing of "Joint product". **07**

(b) Calculate the machine hour rate from the following: ` **07**

Cost of machine 18,000 Cost of installation 2,000 , Scrap value after 10 years 2,000, Rates and rent for a quarter for the shop 600, General

lighting 200 p.m. Shop supervisor's salary 6,000 per quarter Insurance premium for a machine 120 p.a. Estimated repair 200 p.a. Power 2 units per hour @ Rs.150 per 100 units Estimated working hours p.a. 2,000. The machine occupies 1/4th of the total area of the shop. The supervisor is expected to devote 1/6th of his time for supervising the machine. General lighting expenses are to be apportioned on the basis of floor area

Q.4 (a) What is CVP Analysis? How does it help management ? **07**

(b) The cost accountant of ABC Manufacturing attended a workshop on activity-based costing and was impressed by the results. After consulting with the production personnel, he prepared the following information on cost drivers and the estimated volume for each driver.

	A	B	C
Units produced	25,000	15,000	5,000
Direct materials Cost Per Unit in Rs.	40	30	55
Direct labour Rs.	15	15	15

Cost driver	Cost driver volume			
	A	B	C	
Number of setups	125	75	50	250
Machine Hours	2500	1500	2000	6000
Direct labour hours	25000	15000	5000	45000
Number of Inspection	50	25	25	100

The cost accountant also determined how much overhead costs were incurred in each of the four activities as follows:
Activity Overhead costs in:
Machining:
Setup 1,50,000
Machining 7,50,000
Total of Machining Overhead Cost 9,00,000 Assembly :
Assembly 360,000
Inspection 90,000
Total of Assembly Overhead Cost 4,50,000
Total Overhead Cost 13,50,000
Required:
1. Determine the cost driver rate for each activity cost pool.
2. Use the activity-based costing method to determine the unit cost for each product. **07**

OR

Q.4 (a) Explain advantages and limitations of standard costing **07**

(b) Sales are Rs. 1,50,000, producing a profit of Rs.4,000 in period I. Sales are Rs.1,90,000, producing a profit of Rs.12,000 in period II. Determine the BEP. **07**

Q.5 The product of a company passes through 3 distinct process. The following information is obtained from the accounts for the month ending January 31, 2018. **14**

Particulars	Process – A	Process – B	Process – C
Direct Material	7800	5940	8886

Direct Wages	6000	9000	12000
Production Overheads	6000	9000	12000

3000 units @ Rs. 3 each were introduced to process – I. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c. The following additional data is obtained:

Process	Output	Normal Loss in %	Realisable Value of Scrap
Process 1	2,850	5%	2
Process 2	2,520	10%	4
Process 3	2,250	15%	5

Prepare Process Cost Account, Normal Loss Account and Abnormal Gain or Loss Account

OR

Q.5 Following information is available from the records of Jay Ltd. for the year end 31st March 2018. **14**

Fixed Expenses in lakhs are as follows:-
Wages and salaries 9.5 , Rent, rates and taxes 6.6, Depreciation 7.4
Sundry administrative expenses 6.5

Semi-Variable Expenses (at 50% of capacity) in lakhs are:- Maintenance and repairs 3.5, Indirect labour 7.9,
Sales department salaries 3.8 , Sundry administrative expenses 2.8

Variable Expenses (at 50% of capacity) in lakhs are:- Materials 21.7 , Labour 20.4, Other expenses 7.9

Assuming that the fixed expenses remain constant for all levels of production, semi-variable expenses remain constant between 45% and 65% of capacity increasing by 10% between 65% and 80% and by 20% between 80% and 100%.

Sales at various levels are : (lakhs)
50% capacity 100
60% " 120
75% " 150
90% " 180
100% " 200

Prepare a flexible budget for the year and forecast the profits at 60%, 75%, 90% and 100% of capacity.

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