

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER – II - EXAMINATION – SUMMER 2022

Subject Code: 1529502**Date: 29/07/2022****Subject Name: Management Accounting and Costing****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.

- Q1.** Define the terms **14**
- (a) By-Product
 - (b) Cost Object
 - (c) Cost Unit
 - (d) Expense
 - (e) Life Cycle Costing
 - (f) Target Costing
 - (g) Zero Based Budgeting
- Q2. (a)** Explain the functions of Management Accounting? **07**
- (b)** State the difference between Cost Accounting and Management Accounting. **07**

OR

- (b)** Write a short-note on Kaizen Costing. **07**
- Q3. (a)** The following are the details of a spare part of Shri Ram Mills. Find out the value of the stock as on 31.03.2022 if the company follows: First in First Out Basis (FIFO) and Last in First Out Basis (LIFO). **07**

Date	Particulars	Details
01.01.2022	Opening Stock	NIL
01.01.2022	Purchases	100 Units @ Rs.30 per unit
15.01.2022	Issued for consumption	50 units
01.02.2022	Purchases	200 units @ Rs.40 per unit
15.02.2022	Issued for consumption	100 units
20.02.2022	Issued for consumption	100 units
01.03.2022	Purchases	150 units @ Rs.50 per unit
15.03.2022	Issued for consumption	100 units

- Q3. (b)** How are cost classified in the transport company? Draw out a cost-sheet for VTCOS bus service with imaginary numbers. **07**

OR

- Q3. (a)** Sun Ltd. is able to obtain quantity discounts on its orders of material as follows: **07**

Price Per Kg	Details
Rs.8.00	Less than 250 Kg
Rs.7.90	250kg and less than 500Kg
Rs.7.80	500Kg and less than 1,000Kg
Rs.7.60	1,000Kg and less than 2,000Kg
Rs.7.50	2,000Kg and above

The annual demand for the material is 2,000 Kg. Stock holding costs are 20% of material cost per annum. The delivery cost per order is Rs.8. You are required to calculate the best quantity to order. For making the tabular format, assume that 50% of the units ordered will remain as a closing stock.

- Q3. (b)** Explain the different classification of Cost, with necessary examples. **07**
- Q4. (a)** 'Cost-Volume and Profit are interwoven with each other'. How this relationship is useful in business? **07**
- Q4. (b)** A department of Alstom India Company attains sales of Rs.6,00,000 at 80% of its normal capacity. Its expenses are given below: **07**

Particulars	Rs.
Office Salaries	90,000
General Expenses	2% of Sales
Depreciation	7,500
Rent and Rates	8,750
Salaries to Salesmen	8% of Sales
Travelling Expenses of Salesmen	2% of Sales
Sales Office Expense	1% of Sales
General Expense for Sales	1% of Sales
Wages for distribution	15,000
Rent of showroom	1% of Sales
Other Expenses	4% of Sales

Draw up Flexible Administration, Selling and Distribution Costs Budget, operating at 80%, 90%, 110% of normal capacity. Assume that the fixed expenses do not change with the increase in capacity @ 110%.

OR

- Q4. (a)** How are joint costs apportioned? Discuss any three methods with appropriate numerical example. **07**
- Q4. (b)** For Ravi Ltd, produced three chemicals during the month of July, 2021 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from processes (1) and (2) realizes Rs.100 a ton and from process (3) Rs.20 a ton. The products of three processes are dealt with as follows: **07**

Particulars	Process 1	Process 2	Process 3
Passed on the next process	75%	50%	-
Sent to warehouse for sale	25%	50%	100%

Particulars	Process 1		Process 2		Process 3	
	Rs.	Tons	Rs.	Tons	Rs.	Tons
Raw Materials	1,20,000	1,000	28,000	140	1,07,840	1,348
Manufacturing Wages	20,500	-	18,520	-	15,000	-
General Expenses	10,300	-	7,240	-	3,100	-

Prepare Process Cost Accounts showing the cost per ton of each product.

Q5. Case-Study

Surya Ltd. Operates a standard costing system. Following information is supplied by the company.

Actual:

Materials Consumed (3,600 units @ Rs.52.50 each)	Rs.1,89,000
Direct Wages	Rs. 22,100
Fixed Expenses	Rs. 1,88,000
Variable Expenses	Rs. 62,000

Output during the period was 3,500 units of finished goods. For the above period, the standard production capacity was 4,800 units and the break-up of the standard cost per unit was as follows:

Materials Consumed (one unit @ Rs.50 each)	Rs.50
Direct Wages	Rs. 6
Fixed Expenses	Rs. 40

Variable Expenses	Rs. 20
Total	Rs.116

The standard wages per unit is based on 9,600 hours of the above period at a rate of Rs.3 per hour. 6,400 hours were actually worked during the above period and in addition, wages for 400 hours were paid to compensate for idle time due to break-down of machine and overall wage rate was Rs.3.25 per hour. You are required to calculate the following variances:

- (a) 1. Material Cost Variance 07
2. Material Price Variance
3. Material Usage Variance
4. Labour Cost Variance
5. Wage Rate Variance
6. Labour Efficiency Variance
7. Idle Time Variance
- (b) 8. Variable Expense Variance 07
9. Fixed Expenses Expenditure Variance
10. Fixed Expenses Volume Variance
11. Fixed Expenses Capacity Variance
12. Fixed Expenses Efficiency Variance
13. Total Cost Variance

OR

Q5. (a) Case Study: 07

A factory procures a number of different products each having a number of components. Product X takes 10 hours to produce on a particular equipment which works at full capacity. The selling price and variable cost of Product X are Rs.200 and Rs.120 per unit respectively. A component Wye-2010 can be made on the same equipment in four hours incurring a variable cost of Rs.20 per unit. The factory purchases the component at a price of Rs.50 per unit. (i) Advise the factory management whether they should buy the component Wye-2010. You may make suitable assumptions, if necessary. (ii) Suppose if the component Wye-2010 is to be brought from supplier's place to the factory destination and the transportation cost per unit is Rs.4, then what should be the decision? Advise the company.

Q5. (b) Case Study: 07

A company Bhanu Ltd. manufacturing two products furnishes the following data for a year:

Product	Annual Output (Units)	Total Machine Hours	Total Number of Purchase Orders	Total Number of Set-Ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:

Volume related activity costs	Rs.5,50,000
Set-up related costs	Rs.8,20,000
Purchase related costs	Rs.6,18,000

You are required to calculate the cost per unit of each Product A and B based on Activity Based Costing Method. If the management decides to drop a product, which one it should drop based on the computation of Activity Based Costing, and why?
