Seat No. /Enrollment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA-SEMESTER-II-EXAMINATION- SUMMER-2024

Subject Code: 1529502 **Date: 07/06/2024**

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.**
4. **Use of simple calculators and non-programmable scientific calculators are permitted.**

Q.1		Explain the following terms. (a) Contingent Liability (b) Debtor (c) Expenses v/s cost (d) Kaizen Costing (e) Functions of Management Accounting (f) Deferred Cost (g) Expired Cost	**14**
Q.2	**(a)**	Briefly state the differences between Cost accounting & Management Accounting.	**07**
	(b)	Marginal costing rewards sales whereas absorption costing rewards production. Comment.	**07**
		OR	
	(b)	How are cost classified in a restaurant? Draw out a cost-sheet for one with imaginary numbers.	**07**
Q.3	**(a)**	Write a short-note on the classification of cost.	**07**
	(b)	Prepare Store Leger Card (LIFO) and Cost Sheet from the following data. **July 01** Balance b/d 50 Units @ 10 Each **July 05** Purchases 30 Units @ 12 Each **July 09** Purchases 60 Units @ 9 Each **July 13** Sales 70 Units @ 18 Each **July 23** Purchases 40 Units @ 8 Each **July 26** Purchases 20 Units @ 16 Each **July 30** Sales 90 Units @ 19 Each	**07**
		OR	
Q.3	**(a)**	Write a note on Activity based costing.	**07**
	(b)	The John Equipment Company estimates its carrying cost at 15% and it's ordering cost at $9 per order. The estimated annual requirement is 48,000 units at a price of $4 per unit. 1. What is the most economical number of units to order? 2. How many orders should be placed in a year? 3. How often should an order be placed?	**07**
Q.4	**(a)**	'Costing system has become an essential tool in the hands of management.' Comment.	**07**
	(b)	Suppose you intend to open a franchise business to supply a nationally-known line of women's shoes. You've found a good location in Abbott bad to open your shop, and have determined that the average prices and costs of operating the store are: Price = Rs. 50 per pair, Cost = Rs. 30 per pair Rent = Rs. 2,500 per month, Insurance = Rs. 500 per month Utilities & Telephone = Rs. 300 per month.	**07**

		In addition, you plan to hire two sales ladies on a commission basis of 10% in order to provide them with incentive to sell shoes. You are required determine the breakeven point in Rupees.	
		OR	
Q.4	**(a)**	Knowledge of cost & management accounting facilitate business decision making. Is it true? Explain.	**07**
	(b)	Assume a company is deciding between manufacturing a part in-house that costs $26 per unit, including direct cost, fixed overheads, and variable overheads, as given in the table below. **Cost Head** — **Cost per Unit ($)** Direct Cost — 15 Fixed Overhead — 4 Variable Overhead — 7 **Total Cost** — **26** The same part is available in the market at $23 per unit, including the cost of buying, shipping, and warehousing, as shown in the table below. **Cost Head** — **Cost Per Unit ($)** Cost of Part — 20 Shipping and Warehousing Cost — 3 **Total Cost** — **23** Should the Firm Make or Buy the part?	**07**
Q.5		The following data is available in a manufacturing company for a yearly period. **$** **Fixed Expenses** Wages and Salaries — 9,50,000 Rent/Rates and Taxes — 6,60,000 Depreciation — 7,40,000 Sundry Admin Expenses — 6,50,000 **Semi-variable Expenses at 50% Capacity** Maintenance and Repairs — 3,50,000 Indirect Labor — 7,90,000 Sales Department Salaries, etc. — 3,80,000 Sundry Admin Salaries — 2,80,000 **Variable Expenses** Materials — 21,70,000 Labor — 20,40,000 Other Expenses — 7,90,000 **Total** — **98,00,000** You should assume that the fixed expenses remain constant for all levels of production. Semi-variable expenses remain constant between 45% and 65% capacity, increasing by 10% between 65% and 80% capacity, and by 20% between 80% and 100% capacity. The sales at various levels of capacity are the following: 50% Capacity 100 60% Capacity 120	**14**

		100% Capacity 200 For this task, prepare a flexible budget for the year and forecast the profit at 60%, 75%, 90%, and 100% capacity.	
		OR	
Q.5	**(a)**	Using the information provided, calculate: 1. Material cost variance 2. Material price variance 3. Material usage variance A summary of the information needed to complete this task is given as follows: • Quantity of material purchased = 3,000 units • Value of material purchased = $9,000 • Standard quantity of material required per ton of output = 30 units • Standard rate of material = $2.50 per unit • Opening stock of materials = Nil • Closing stock of material = 500 units • Output during the period = 80 tons	**07**
	(b)	The Bharat Manufacturing Company's product passes through two distinct processes, X and Y, and then to the finished stock. It is known from the past experience that wastage occurs in the process as under: In Process X, 5% of the units entering the process. In Process Y, 10% of the units entering the process. The scrap value of the wastages in process X is Rs.8 per 100 units and in process Y is Rs.10 per 100 units. **Process X** **Process Y** **Rs.** **Rs.** **Materials Consumed** 6,000 3,000 **Wages** 7,000 4,000 **Manufacturing expenses** 2,000 2,000 **10,000 units were brought into Process X, costing Rs. 5,000. The outputs were :** **Process X** 9,500 units **Process Y** 8,500 units **Prepare Process Cost Accounts showing the cost of the output.**	**07**

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