

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA – SEMESTER –II-EXAMINATION – WINTER-2022**

**Subject Code: 1529502****Date: 14/12/2022****Subject Name: Management Accounting and Costing****Time: 02:30 PM to 05:30 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** Answer the following in brief. **14**
- (a) Equivalent production  
(b) ABC analysis  
(c) Economic Order Quantity  
(d) Financial Break Even Point  
(e) Target Costing  
(f) Material Mix variance  
(g) Cost Apportionment
- Q – 2 (A)** Write a brief note on cost accounting standards. **7**
- Q – 2 (B)** What do you mean by cost? How the same can be classified? **7**
- OR**
- Q – 2 (B)** Cost and Management accountant Plays a very significant and strategic role in business organization. Elaborate. **7**
- Q – 3 (A)** Usha Engineering Works manufactured and sold 1000 sewing machines in 2010. **7**  
Following are the records of the company.
- |                              |     |          |
|------------------------------|-----|----------|
| Cost of material             | Rs. | 80,000   |
| Wages paid                   |     | 1,20,000 |
| Manufacturing expenses       |     | 50,000   |
| Salaries of managerial staff |     | 60,000   |
| Rent, rates and insurance    |     | 10,000   |
| Selling expenses             |     | 30,000   |
| General expenses             |     | 20,000   |
- The company plans to manufacture 1,200 sewing machines in 2011. You are required to submit a statement showing the price at which machines would be sold so as to show a profit of 10 percent on the selling price. The following additional details are provided to you.
- (1) The price of material will rise by 20% over the previous year.
  - (2) Wages will rise by 5%.
  - (3) Manufacturing expenses per unit will rise in the proportion to the combined cost of materials and wages.
  - (4) Selling expenses per unit will remain unchanged.
  - (5) Other expenses will remain unaffected by the rise in output.
- Q – 3 (B)** Explain the concept of Kaizen costing. **7**

**OR**

- Q – 3 (A)** Component 89-X is made entirely in cost centre 75. Material cost is 6 paise per component and each component takes 10 minutes to produce. The machine operator is paid 72 paise per hour, and the machine hour rate is Rs. 1.50. The setting up of the machine to produce component 89-X takes 2 hours and 20 minutes. 7

On the basis of this information, prepare a comparative cost sheet showing the production and setting up cost, both in total and per component assuming a batch of (a) 10 components (b) 100 components and (c) 1000 components produced.

- Q – 3 (B)** How budgetary control system helps in improving business operations and performance. 7

- Q – 4 (A)** ABC Ltd. manufactures and sells three chemicals produced by consecutive processes X, Y and Z. In each process 2% of the total weight put in is lost and 10% is scrap, which from process X and Y realized Rs. 100 per tonne and from process Z Rs. 200 per tonne. The products of three processes are dealt with as under. 7

	X	Y	Z
Sent to warehouse for sale	25%	50%	100%
Passed on the next process	75%	50%	----
Material used (tonne)	1,000	140	1,348
Cost per tonne (Rs.)	120	200	80
Manufacturing expenses (Rs.)	30,800	25,760	18,100

Prepare the account for each process.

- Q – 4 (B)** In the course of manufacturing main product “P”, by-products “A” and “B” also emerged. The joint expenses of manufacture amount to Rs. 1,19,550. All the three products are processed further after separation and sold as per below details: 7

	“P”	“A”	“B”
Sales (Rs.)	90,000	60,000	40,000
Cost incurred after separation (Rs.)	6,000	5,000	4,000
Profit as % of sales	25	20	15

Total fixed selling expenses are 10% of total cost of sales which are apportioned to the three products in the ratio of 20:40:40.

Prepare a statement showing apportionment of the joint costs to the main product and two by-products.

**OR**

- Q – 4 (A)** In process A, on March 1, there is no work in progress. During the month of March, 2000 units of material were issued at a cost of Rs. 18,000. Labour and overheads totaled Rs. 9,000 and Rs. 6,600 resp. On 31 March, 1500 units were completed and transferred to the next process. On the remaining 500 units, which were incomplete, degree of completion was as follows: 7

Material	100%
Labour	60%
Overhead	30%

Prepare:

1. Statement of Equivalent Production
2. Statement of cost
3. Statement of evaluation
4. Process Account.

**Purchases**

- On January 2, 100 units @ Rs. 5.
- On January 12, 200 units @ Rs. 4.80
- On January 17, 100 units @ Rs. 4.60
- On January 22, 100 units @ Rs. 4.50

**Sales**

- On January 7, 50 units
- On January 14, 150 units
- On January 28, 100 units

No opening inventory. Calculate the value of inventory by FIFO, LIFO and Weighted Average Method.

- Q – 5** RB and Co. is presently operating at 50% capacity producing 50,000 units of a product. R B recently received an offer from overseas market to sell 30,000 components at Rs. 6.00 per unit, FOB RB's plant. RB has not previously sold the components in these market. Budgeted production cost (in Rs.) for 50,000 and 80,000 units are as under. **14**

	50,000 units	80,000 units
Direct material	75,000	1,20,000
Direct labour	75,000	1,20,000
Factory overhead	2,00,000	2,60,000
Total cost	3,50,000	5,00,000
Cost per unit	7.00	6.25

The sales manager thinks the order should be accepted, even if it results in a loss of Rs. 1.00 per unit, because he feels the sales may build up the future market. The production manager does not want to have the order accepted because the order would show the loss of Rs. 0.25 per unit when computed on the new average unit cost. The cost accountant has made a quick computation indicating that accepting the order will actually increase the profit.

You are required to:

- (a) Explain what apparently caused the drop in the cost from Rs. 7.00 to Rs. 6.25 when production increased from 50,000 to 80,000.
- (b) Should the order be accepted?

**OR**

- Q – 5** The standard cost of a chemical mixture is as under: **14**
- 40% material of A at Rs. 20 per kg.
  - 60% material of B at Rs. 30 per kg.
- A standard loss of 10% of input is expected in production. The cost records for a period showed the following usage.
- 90 kgs. Material A at a cost of Rs. 18 per kg.
  - 110 kgs. Material B at a cost of Rs. 34 per kg.
- The quantity produced was 182 kgs. Of goods produced. Calculate all material variance.

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