Roll No.: | | | | | | | |

Shiksha Mandal, Wardha's

G. S. College of Commerce & Economics, Nagpur

An Autonomous Institution

(Affiliated to Rashtrasant Tukadoji Maharaj Nagpur University)

Second Semester Master of Business Administration Examination (CBCS)

COST AND MANAGEMENT ACCOUNTING

(MBC 2.2)

Time: 3 Hours | Maximum Marks: 80

Note: All questions are compulsory.

Q.1 A) The works cost of a certain article is ₹ 400 and the selling price is ₹ 800. The following direct selling and distribution expenses were incurred: 10

Freight ₹ 40; Insurance ₹ 10; Commission ₹ 60; Packing ₹ 10;

The estimated fixed selling & distribution expenses for the year were ₹ 30,000 and the estimated value of sales for the year was ₹ 1,50,000. You are required to set out the final cost of the article using the method of percentage on sales value to recover fixed selling and distribution expenses.

OR

B) The net profit of TCS is ₹ 64,377 as per financial records for the year ended 31st March 2018. The cost books, showed a net profit of ₹ 86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following facts:

Works overheads under recovered in costs ₹ 1,560.

Administration overheads recovered excess cost books ₹ 850.

Depreciation charged in financial A/cs ₹ 5,600.

Depreciation recovered in cost books ₹ 6,250.

Interest on investments not included in cost records is ₹ 4,000.

Loss due to obsolescence charged in Financial ₹ 2,850.

Income tax provided in Financial Accounts ₹ 20,150.

Bank interest and transfer fee in Financial books ₹ 375.

Stores adjustment credited in Financial ₹ 237.

Loss due to depreciation in stock charged in Financial Accounts ₹ 3,375.

Prepare a statement showing the reconciliation of profits between Cost Accounts and Financial Accounts.

Q.2 A) From the following prepare a Marginal Cost Statement. 10

Products in ₹

	A	B	C
Direct Material	2,500	10,000	1,000
Direct Labour	3,000	3,000	500
Factory overheads:			
- Fixed	1,000	500	500
- Variable	1,300	3,000	1,500
Selling overheads:			

- Fixed	500	300	200
- Variable	700	2,000	1,000
Sales	10,000	20,000	5,000

Also prepare a Cost Statement under Absorption Costing and comment on the comparative results.

OR

B) Two business KL Ltd and PD Ltd, sell the same type of the product in the same type of market. The budgeted Income Statement are as follows:

		KL Ltd (₹)		PD Ltd (₹)
Sales		1,50,000		1,50,000
TOTAL COST:				
Variable cost	1,20,000		1,00,000	
Fixed cost	15,000	1,35,000	35,000	1,35,000
Profits		15,000		15,000

Find the: a) BEP of both products.

b) State which business is likely to earn greater profits in conditions of

i) Heavy demand of the product.

ii) Low demand of the product.

Q.3 A) HCL produces three products from an imported material. The cost structure per unit of the products are as under: 10

	Products (in ₹)		
	A	B	C
Sale value	200	300	250
Direct material	50	80	60
Direct wages ₹ 6 per hour	60	200	108
Variable overheads	30	60	54

Out of direct material 80%, is of the imported material @ ₹ 10 per kg.

Prepare a statement showing comparative profitability of the three products under the following scenarios:

i) Imported material is in restricted supply.

ii) Production capacity is limiting factor.

iii) When maximum sales potential of products 'A' and 'B' are 1,000 units each and that of product 'C' is 500 units for specific requirements, availability of imported material is restricted to 10,000 kgs per month. How the profit could be maximized?

OR

B) VK Ltd which produces three products furnishes you the following data for the current year:

	Products (in ₹)		
	A	B	C
Selling Price P/U	100	75	50
Profit Volume Ratio (%)	10	20	40
Maximum Sales Potential in Units	40,000	25,000	10,000
Raw material contents as percentage of variable cost	50%	50%	50%

The fixed expenses are estimated at ₹ 6,80,000. The company uses a single raw material in all the three products. Raw material is in short supply and the company has a quota for the supply of raw materials of the value of ₹ 18,00,000 for the current year for the manufacture of its products to meet its sales demand. Compute the maximum profit. Set a product-mix which will give a maximum overall profit keeping the short supply of raw materials in view.

Q. 4 A) For the production of 10,000 Electrical Auto Irons in a MNC are budget as follows: 10

	Per unit (₹)
Direct Material	60
Direct Labour	30
Variable Overheads	25
Fixed Overheads (₹ 1,50,000)	15
Variable Expenses (Direct)	05
Selling Expenses (10% Fixed)	15
Administration Expenses (₹ 50,000 for all level of production)	05
Total Cost of Sale per Unit	05
	160

Prepare a budget of the MNC for production of 6000; 7000; 8000; irons showing distinctly Marginal Cost & Total Cost.

OR

B) ABC Co. wishes to arrange an O/D facility with “Standard Chartered Banks” during the period April to June, when most of the stock shall be manufactured. What Bank facilities shall be provided if a Cash Budget is presented to them?

Period Duration	Credit Sales	Purchases	Wages
	₹	₹	₹
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

Additional information: a) 50% of Credit Sales are realized in the month following the sales and remaining 50% in the second month following. Creditors are paid in the following month of purchase. b) Cash at the beginning 1st April is ₹ 25,000 (estimated).

Q.5 A) From the data given below calculate: 10

a) Material Price Variance; b) Material Usage Variance; c) Material Cost Variance.

Quantity of material purchased 3000 units value of material purchased ₹ 9000. Standard quantity of material required for one ton of finished product is 25 units. Standard rate of material is ₹ 2 per unit. Opening stock of material is nil. Closing stock of material is 500 units. Finished production during the period is 80 tonnes.

OR

B) Use the following information, Calculate each of three labour variances for each department.

	Dept 'X'	Dept 'Y'
Gross Wages Direct	₹ 28,080	₹ 19,370
Standard Hours Produced	8640	6015
Standard Rate	₹ 3 Per hour	₹ 3.40 Per hour
Actual Hours Worked	8200	6345

Q.6 Answer the following question in about 150-200 words: 10

A) What is Responsibility Accounting? State the concept & various approaches to Responsibility Accounting.

OR

B) State the concept of Transfer Pricing. Explain its methods in brief.

Q.7 Answer the following questions in about 75-100 words. (Any Five) 20

A) Differentiate between Cost Accounting Vs. Financial Accounting.

B) State the applications of Marginal Costing.

C) Assumption of CVP Analysis.

D) Explain 'Zero Base Budgeting'.

E) Give the advantages of Standard Costing.

F) Define 'Activity Based Costing'.

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