[This question paper contains 6 printed pages.]

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Your Roll No. ....

BFIA / II Sem. – 2011

BACHELOR OF FINANCIAL AND INVESTMENT ANALYSIS

Paper 202 (NS)

(Cost and Management Accounting)

Time : 3 hours *Maximum Marks : 75*

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt all *questions.*

Question 1

Quality Ltd manufactures and sells a product, the selling price and raw material cost of which have remained unchanged during the past two years. The following are the relevant data:

	Year 1	year 2
Quantity sold (kgs.)	100	150
	Rs.	Rs.
Sales value	20,000	?
Raw materials	10,000	?
Direct wages	3,000	?
Factory overheads	5,000	5,700
Profit	2000	2,550

During the year 2, direct wages rates increased by 50%, but there was a saving of Rs. 300 in fixed overheads.

Required:

What quantity (in kgs.) the company should have produced and sold in year 2 in order to maintain the same amount of net profit per kg. as it earned last year 1? (8 marks)

Question 2

The cost accountant of a manufacturing company provides you the following details for the year 2010.

Direct materials	Rs. 1,75,000
Direct wages	1,00,000
Variable factory overheads	1,00,000
Fixed factory overheads	100,000
Other variable costs	80,000

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Other fixed costs	80,000
Profit	1,15,000
Sales	7,50,000

During the year, the company manufactured two products, A and B , and the output and costs were:

	A	B
Output (units)	2,00,000	1,00,000
Selling price per unit	Rs. 2.00	Rs. 3.50
Direct materials per unit	0.50	0.75
Direct wages per unit	0.25	0.50

Variable factory overheads are absorbed as a percentage of direct wages and other variable costs have been computed as follows:

Product A: Rs. 0.25 per unit and Product B Rs. 0.30 per unit.

During the year 2011, it is expected that demand for product A will fall by 25% and for B by 50%. It is decided to manufacture a further product C, the costs, etc. for which estimates are as follows:

	Product C
Output (units)	2,00,000
Selling price per unit	Rs. 1.75
Direct materials per unit	Rs. 0.40
Direct wages per unit	Rs. 0.25

It is anticipated that the other variable costs per unit will be the same as for Product A.

Prepare a budget to present to the management, showing the current position and for 2011. Comment on the comparative results. (10 marks)

Question 3

A product passes through three processes- A,B & C. The details of expenses incurred on the three processes during the year 2010 were as under:

Process	A	B	C
Units issued/introduced	10,000		

Cost per unit	Rs. 100		
Sundry materials	Rs. 10,000	Rs. 15,000	Rs. 5,000
Labour	30,000	80,000	65,000
Direct expenses	6,000	18,150	27,200
Selling price per unit of output	120	165	250

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocable to processes.

Actual output of the three processes was:

A-9,300 units, B- 5,400 and C- 2,100 units. Two-thirds of the output of Process A and one-half of the output of Process B was passed on to the next process and the balance was sold. The entire output of Process C was sold.

The normal loss of the three processes, calculated on the input of every processes was:

Process A-5%, B-15% and C-20%.

The loss of Process A was sold at Rs. 2 per unit, that of B at Rs. 5 per unit and of Process C at Rs 10 per unit.

Prepare

(a) The three Process Accounts
(b) Profit and loss Account
(c) Abnormal gain and abnormal loss account. (10 marks)

Question 4

Taipe Ltd. in the course of refining crude oil obtains four joint products A, B, C & D. The total cost till the split-off point was Rs. 97,600. The output and sales in the year 2010 were as follows:

Product	Output (Kgs)	Sales	Separate Costs
A	5,00,000	Rs. 1,15,000	Rs. 30,000
B	10,000	10,000	6,000
C	5,000	4,000	----
D	9,000	30,000	1,000

You are required to :

(i) Calculate the net income for each of the products if the joint costs are apportioned on the basis of sales value of different products.

(ii) What would be net income of the company from each product it it decides to sell the products at split-off point itself @ A 15 paise; B 50 paise; C 80 paise and D Rs. 3 per Kg?

(8 marks)

Question 5

A company operates a standard costing system and showed the following data for the month of March 2011:

	Actual	Budgeted
No. of working days	22	20
Man-hours	4,300	4,000
Overhead rate per hour	-----	Rs. 0.50
Hours per unit of output	-----	10
Fixed overhead incurred	Rs. 1,800	----
No. of units produced	425	----

Calculate;

(1) Overhead cost variance
(2) Budget variance
(3) Volume variance
(4) Capacity variance
(5) Calendar variance
(6) Efficiency variance

(10 marks)

Question 6

(a)The following is Control Report prepared by a cost accountant of Department X in a factory:

Overheads directly assigned to Department X:

	Rs.	Rs.
Indirect materials (based on actual requisitions)	1,000	
Indirect labour (job tickets)	900	
Overtime charges	100	
Depreciation on equipment	500	
	-----	2,500
Allocated factory overheads (38% of factory spaces)		4,300
Allocated overheads of repair shop		

(62% of repairs in repair shop done for Department X)	1,200
Allocated Office and Administrative Overheads (on an agreed basis)	5,000
Total Departmental expenses	13,000

Revise the report treating Department X as a Responsibility Centre.

(b) Distinguish between cost centre and responsibility centre. (8 marks)

Question 7

Explain the concept of life cycle costing and target costing briefly. (8 marks)

Question 8

Write short notes on any four:

(i) Product cost and period cost
(ii) Direct cost and indirect cost
(iii) Cost control and cost reduction
(iv) Shut down cost
(v) Relevant cost

(8 marks)

Question 9

Choose the correct answer in each of the following.

(i) A cost driver is:
(a) An item of production overheads
(b) A common cost which is shared over cost centres
(c) Any cost relating to transport
(d) An activity that generate costs

(ii) Which of the following is not a correct match?

Activity	cost drivers
(a) Production scheduling	Number of production runs
(b) Despatching	Number of despatch orders
(c) Goods receiving	Goods received order
(d) Inspection	Machine hours

(iii) Which of the following is not a method of costing?
(a) Marginal costing
(b) Absorption costing
(c) Standard costing
(d) Multiple costing

(iv) Which one of the following is not service department?
(a) Stores
(b) Canteen

(c) Assembly
(d) Payroll

(v) The process of apportionment is carried out so that
(a) Costs may be controlled
(b) Cost units gather overheads as they pass through cost centres
(c) Whole items of cost can be charged to cost centres
(d) Common costs are shared among cost centres

(vi) The characteristics of process costing include:
(a) Products are standardised and homogeneous
(b) Products are processed in one or more processes
(c) Products are distinguishable in processing stage
(d) All of the above

(vii) Joint products
(a) Are produced simultaneously
(b) Are more or less of equal importance
(c) May usually require further processing
(d) All of the above

(viii) Which of the followings is not a relevant information in a 'make or buy' decision?
(a) Variable cost of making
(b) General fixed cost
(c) Purchase price
(d) Loss of contribution to make the product

(ix) A flexible budget is:
(a) A budget of variable production costs only
(b) A budget which is updated with actual costs and revenues as they occur during the budget period
(c) A budget which shows the costs and revenues at different levels of activity
(d) A budget which is prepared using a computer spreadsheet model.

(x) A standard which can be attained under most favourable working conditions is called
(a) Ideal standard
(b) Attainable standard
(c) Current standard
(d) Basic standard

(5 marks)