

O/C

2013

[This question paper contains 6 printed pages.]

Sr. No. of Question Paper : 1630

Roll No.....

Unique Paper Code : 101202

Name of the Paper : Cost and Management Accounting

Name of the Course : BFIA

Semester : II

Duration : 3 Hours

Maximum Marks : 75

Instructions for the Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt any 6 questions including question no. 1 which is compulsory.
3. Question **one** carries **15** marks and all other questions are of **12** marks each.

1. (a) A company budgets a production of 1,50,000 units. The variable cost is Rs. 14 per unit and fixed cost is Rs. 2 per unit. The company fixes its selling price to fetch a profit of 25% on cost.

(i) What is the Break even point ?

(ii) What is the profit volume ratio ?

(iii) If the selling price is reduced by 5%, how the revised selling price affect the break even point and p/v ratio ? (6)

(b) From the following data, which product would you recommend to manufacture in a factory, time being the limiting factor ?

	Product 'A' (Per Unit)	Product 'B' (Per Unit)
Direct material	Rs. 24	Rs. 14
Direct Labour at Rs. 1 per hour	Rs. 2	Rs. 3
Variable overhead at Rs. 2 per hour	Rs. 4	Rs. 6
Selling price	Rs. 100	Rs. 110
Standard Time to produce	2 hours	3 hours

(5)

P.T.O.

- (c) What do you mean by Margin of safety? What is its relevance? (4)
2. (a) What are the advantages of introducing a costing system in an industrial organisation? (3)

- (b) The books of Adarsh manufacturing company presents the following data for the month of April 2012 :

Direct labour cost Rs. 17,500 being 175% of works overheads.

Cost of goods sold Rs. 58,500.

Inventory accounts showed the following opening and closing balances :

	April 1	April 30
Raw materials	Rs. 8,000	Rs. 10,600
Work in progress	Rs. 10,500	Rs. 14,500
Finished goods	Rs. 17,600	Rs. 19,000
Other data are :-		
Selling expenses	Rs. 3,500	
General and administration expenses	Rs. 2,500	
Sales for the month	Rs. 75,000	

You are required to Calculate :

- (i) Value of material purchased.
- (ii) Prepare a cost sheet showing the various elements of cost and also the profit earned. (9)
3. Mandex Ltd processes a patent material used in building. The material is produced in three consecutive processes I, II and III. Figures related to production of the 2012 are as follows :

	Process I	Process II	Process III
Raw material used	1,000 tonnes		
Cost per tonne	Rs. 200		
Manufacturing wages and expenses	Rs. 72,500	Rs. 40,800	Rs. 10,710
Weight lost	5%	10%	20%
Scrap sold @ Rs. 50 per tonne	50 tonnes	30 tonnes	51 tonnes
Sale price per tonne	Rs. 350	Rs. 500	Rs. 800

Management expenses were Rs. 17,500; selling expenses Rs. 10,000 and interest on borrowed capital Rs. 4,000.

Two thirds of process I and one-half of process II are passed on to the next process and balances are sold. You are required to prepare process cost accounts and P/L account and calculate the profits. (12)

4. (a) Explain the concept of :-

(i) Activity based costing

(ii) Target costing

(4)

(b) The monthly budgets for manufacturing overhead of a concern for two levels of activity were as follows :

	60%	100%
	Rs.	Rs.
Capacity	60%	100%
Budgeted production (units)	600	1,000
Wages	1,200	2,000
Consumable stores	900	1,500
Maintenance	1,100	1,500
Power and fuel	1,600	2,000
Depreciation	4,000	4,000
Insurance	1,000	1,000

You are required to :

(i) indicate which of the expenses are fixed, variable and semi-variable.

(ii) Prepare a budget for 80% capacity.

(8)

5. The standard cost of a certain chemical mixture is :

35% Material A at Rs. 25 per kg

65% Material B at Rs. 36 per kg

A standard loss of 5% is expected in production.

During period actual usage is :

125 kg of material A at Rs. 27 per kg

275 kg of material B at Rs. 34 per kg

The actual output was 365 kg.

Calculate :

- (a) Material Cost Variance
- (b) Material Mix variance
- (c) Material price Variance
- (d) Material Yield Variance (12)

6. (a) Write short notes on any **three** of the following :

- (i) Cost centre and Cost unit
- (ii) Controllable and uncontrollable cost
- (iii) Relevant and irrelevant cost
- (iv) Zero based budgeting
- (v) Shut down cost (6)

(b) A company has two plants at location I and II, operating at 100% and 75% of their capacities respectively. The company is considering a proposal to merge both the plants to optimise the available capacity. The following details are available in respect of the two plants regarding the present performance :

Particulars	Location I	Location II
Sales (Rs. in lakhs)	200	75
Variable Cost (Rs. in lakhs)	140	54
Fixed Cost (Rs. in lakhs)	30	14

For decision making purpose you are required to work out the following information :

- (i) The capacity at which the merged plant will be at break even.
- (ii) The profits of the merged plant working at 80% capacity.
- (iii) Sales required if the merged plant is required to earn an overall profits of Rs. 22 lakhs. (6)
7. (a) What are the different components of cost ? (3)
- (b) The following is the summarised Trading and P/L account of Acharya Ltd for the year ending 31st March, 2012 in which the company sold 800 units of a component.

	Amount Rs.		Amount Rs.
To cost of raw materials	32,000	By sales	1.60,000
To direct wages	48,000		
To manufacturing charges	20,000		
To Gross Profit c/d	60,000		
TOTAL	<u>1,60,000</u>		<u>1,60,000</u>
To office salaries	24,000	By Gross Profit b/d	60,000
To rent and taxes	4,000		
To selling expenses	8,000		
To general expenses	12,000		
To Net Profit	12,000		
TOTAL	<u>60,000</u>		<u>60,000</u>

Following estimates were made by the costing department for the year ending 31st March, 2013 :

- (i) The output and the sales will be 1,000 units.
- (ii) The price of the material will rise by 25% on the previous year level.

P.T.O.

- (iii) Wages during the year will rise by 12.5%.
- (iv) Manufacturing cost will rise in proportion to the combined cost of material and wages.
- (v) Selling cost per unit will remain unchanged.
- (vi) Other expenses will remain unaffected with the rise in output.

From the above information, prepare a cost statement showing the price at which the unit should be sold to earn a profit of 10% on the selling price. (9)