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Sr. No. of Question Paper : 148 **Roll No............**

Unique Paper Code : 101202

Name of the Course : **BFIA**

Name of the Paper : Cost and Management Accounting (Paper No. 202)

Semester : II (2014)

Duration : 3 Hours

Maximum Marks : 75

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **6** questions in all including Question No. **1** which is compulsory.

1. (a) Explain the concept of :

    (i) Target costing

    (ii) Activity Based Costing (6)

    (b) A trader in garments is currently selling 24,000 shirts annually. He supplies the following details for the year ended 31st March, 2014 :

	Rs.
Selling price per shirt	40
Variable cost per unit	25
Fixed Costs :	
Staff salaries for the year	1,20,000
General office costs for the year	80,000
Advertisement costs for the year	40,000

Answer the following each parts independently :

(i) Assume that 20,000 shirts were sold in year, find out the net profit of the firm.

(ii) If it is decided to introduce selling commission of Rs. 3 per shirt, how many shirts would require to be sold in a year to earn a net income of Rs. 15,000 ?

(iii) Assuming that for year 2014-2015 an additional staff salary of Rs. 33,000 is anticipated, and price of a shirt is likely to be increased by 15%, what should be the break-even point in number of shirts and sales revenue ? (9)

2. The following direct costs were incurred on Job No. 415 of Standard Radio Company.

Materials Rs. 6,010

Wages :

Deptt A– 60 hours @ Rs. 30 per hour

B– 40 hours @ Rs. 20 per hour

C– 20 hours @ Rs. 50 per hour

Overheads for these three departments were estimated as follows :

Variable overheads :

Deptt A– Rs. 15,000 for 1500 labour hours

B– Rs. 4,000 for 200 labour hours

C– Rs. 12,000 for 300 labour hours

Fixed overheads :

Estimated at Rs. 40,000 for 2,000 normal working hours.

You are required to calculate the cost of Job 415 and calculate the price to give profit of 25% on the selling price. (12)

3. (a) Explain the objectives of the cost accounting. (5)

(b) From the following information for the month of January, 2014, prepare cost sheet to show the following components (a) Prime Cost (b) Factory Cost (c) Cost of Production and Total cost.

	Rs.	
Direct material	57,000	
Direct wages	28,500	
Factory rent and rates	2,500	
Office rent and rates	500	
Plant repairs and maintenance	1,000	
Plant depreciation	1,250	
Factory heating and lighting	400	
Factory manager's salary	2,000	
Office salaries	1,600	
Director's remuneration	1,500	
Telephone and postage	200	
Printing and stationery	100	
Legal charges	150	
Advertisement	1,500	
Salesman salaries	2,500	
Showroom rent	500	
Sales	1,16,000	(7)

4. Calculate all material variances from the following information :

	Standard		Actual	
	Quantity (Units)	Per Unit price	Quantity (Units)	Per Unit price
Material A	20	Rs. 10	25	Rs. 8
Material B	30	Rs. 8	40	Rs. 10

(12)

5. X Ltd. has prepared the following sales Budget for the first five months of 2013 :

Months	Sales (Units)
January	10,800
February	15,600
March	12,200
April	10,400
May	9,800

Inventory of finished goods at the end of every month is to be equal to 25% of sales estimate for the next month. On 1st January, 2013, there were 2,700 units of product on hand. There is no work in progress at the end of any month.

Every unit of product requires two types of materials in the following quantities :

Material A – 4 kg. Material B – 5 kg.

Materials equal to one half of the requirement of next month's production are to be in hand at the end of every month. This requirement was also met on 1st January 2013.

Prepare the following budgets forquarter ending 31st March, 2013.

(a) Production budget (Quantitative)

(b) Material purchase budget (Quantitative) (12)

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

   (i) Responsibility centre and cost centre

   (ii) Assumptions of marginal costing

   (iii) Factors affecting preparation of sales budget

   (iv) Avoidable cost and unavoidable cost

   (v) Semi-variable cost

   (vi) Conversion cost (6)

(b) Expansion Ltd. manufacture automobile accessories and parts. The following are the total costs of processing 1,00,000 units :

Direct material cost	Rs. 5 lakhs
Direct labour cost	Rs. 8 lakhs
Variable factory overhead	Rs. 6 lakhs
Fixed factory overheads	Rs. 5 lakhs

The purchase price of the component is Rs. 22. The fixed overhead would continue to be incurred even when the component is bought from outside, although there would have been reduction to the extent of Rs. 2,00,000.

Required;

   (i) Should the part be made or bought considering that the present facility when released following a buying decision would remain idle ?

   (ii) In case the released capacity can be rented out to another manufacturer for Rs. 1,50,000 having good demand, what should be the decision ? (6)

7. A product of a manufacturing company passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of the total weight is lost and 10% is scrap which from processes A and B realises Rs. 80 per tonne and Rs. 200 tonne respectively.

The following are the figures relating to both the processes;

	Process A	Process B
Materials in tonnes	1000	70
Cost of materials in rupees per tonne	125	200
Wages in rupees	28,000	10,000
Manufacturing expenses in rupees	8,000	5,250
Output in tonnes	830	780

Prepare Process Account showing cost per tonne of each process. There was no stock or work-in-process in any process. (12)