Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER (2) – EXAMINATION – SUMMER 2018

Subject Code: 3529202 **Date: 29 /05/ 2018**

Subject Name: COST & MANAGEMENT ACCOUNTING (CMA)

Time: 10.30 AM to 1.30 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 questions: **14**

1) Explain the concept of Margin of Safety in brief
2) The ratio of variable cost to sales is 70%, Fixed cost is Rs 90,000. Calculate the Break Even Point
3) Explain the meaning of Normal Loss and Abnormal Loss
4) Explain the concept of Direct Cost and Indirect Cost
5) What is the meaning of Relevant Cost and Opportunity Cost?
6) Discuss the importance of Kaizen Costing.
7) Explain the concept of Standard Costing in brief and also explain any one variance.

Q.2. (A) Differentiate between Management Accounting and Cost Accounting **07**

Q.2. (B) The following information is given to you from which you are required to prepare Cost Sheet for the period ended on 31st March 2006: **07**

Consumable material: Rs. Opening stock Purchases Closing stock	20,000 1,10,000 22,000
Direct wages	36,000
Direct Expenses	24,000
Factory overheads 50 % of direct wages	
Office and administration overheads 20% of works cost	
Selling and distribution expenses Rs.3 per unit sold	
Units of finished goods In hand at the beginning of the period (Value Rs. 12500) 500	
Units produced during the period 12,000	
In hand at the end of the period 1,500	

Find out the selling price per unit if 20% profit on selling price is desired. There is no work-in-progress either at the beginning or at the end of the period.

OR

Q.2. (B) Northenscold Company sells several products. Information of average revenue and costs are as follows: **07**

Selling price per unit	Rs. 20.00
Variable costs per unit:	
Direct materials	Rs. 4.00
Direct manufacturing labor	Rs. 1.60
Manufacturing overhead	Rs. 0.40
Selling costs	Rs. 2.00
Annual fixed costs	Rs. 96,000

1) Calculate the contribution margin per unit.
2) Calculate the number of units Northenscold's must sell each year to break even.
3) Calculate the number of units Northenscold's must sell to yield a profit of Rs. 144,000.
4) If the variable cost per unit increases by Rs 2, Calculate the new Break even point

Q.3. (A) Discuss in brief Life Cycle Costing and its significance **07**

Q.3. (B) For making 10 kg. of Wimco, the standard material requirement is as follows: **07**

Material	**Quantity (kg.)**	**Rate per kg. (Rs.)**
A	8	6.00
B	4	4.00

During April, 1,000 kg. of Wimco were produced. The actual consumption of materials is as follows:

Material	**Quantity (kg.)**	**Rate per kg. (Rs.)**
A	750	7.00
B	500	5.00

Calculate: (1) Material Cost Variance (2) Material Price Variance (3) Material Usage Variance

OR

Q.3. (A) Discuss the factors influencing pricing decisions **07**

Q.3. (B) **07**

The budgeted expenses for production of 10,000 units in a factory are furnished below:

Particulars	Cost Per Unit (in Rs.)
Materials	70
Labour	25
Variable Overheads	20
Fixed Overheads (Rs. 1,00,000)	10
Variable Expenses (Direct)	05
Selling Expenses (10 % Fixed)	13
Distribution Expenses (20 % Fixed)	07
Administration Expenses (Rs. 50,000)	05
Total	155

Prepare a Flexible budget for the production of (a) 8,000 units, and (b) 6,000 units. Assume that administration expenses are rigid for all levels of production.

Q.4. (A) Distinguish between Absorption Costing and Marginal Costing **07**

Q.4. (B) **07**

A company produces a main chemical product M and in the process a by-product "B" is also produced. The costs up to the point of separation are Rs. 1,20,000. The separate additional cost incurred after separation are Rs. 33,000 Rs. 3,000, respectively. The quantities emerging at the separation point are 1,50,000 kg and 30,000 kg, respectively. All the production is sold at the following prices:
M at Rs. 1.96 per kg
B at Rs. 0.20 per kg
Selling and distribution overheads applicable to the above quantities are Rs. 1,900 and Rs. 365 respectively.
Prepare a statement of profit or loss for both M and B on each of the following basis:

1) Value of B nil at separation point
2) Apportion costs up to separation on quantity basis
3) Apportion costs up to separation on the basis of sales

OR

Q.4. (A) How is Zero Based Budgeting different from the traditional budgeting and also state the advantages of Zero Based Budgeting. **07**

Q.4. (B) **07**

Sunrise Ltd manufactures two products – Sun and Moon, using the same equipment and similar processes. The following information is extracted from the production department pertaining to the two products for the year ending March 2013:

Particulars	Sun	Moon
Quantity Produced (units)	10,000	15,000
Direct labour hour per unit	2	4
Machine hours per unit	3	1
Number of setups in the period	20	80
Number of orders handles in the period	30	120

Total production overheads recovered for the period has been analysed as under:

Particulars	Rs.
Relating to machine activity	4,50,000
Relating to production run setups	40,000
Relating to handling of orders	90,000

You are required to calculate the production overheads to be absorbed by each unit of the products using the following costing methods:

(I) Traditional costing approach using a direct labour hour rate to absorbed overheads; and

(II) An ABC approach, using suitable cost drivers to trace overheads to products.

Q.5. **14**

Product X passes through three processes before it is completed and transferred to the finished stock. The following data are available for the month of April.

Details	**Process Rs.**			**Finished Stock**
	1	**2**	**3**	
Opening Stock	10,000	16,000	20,000	40,000
Direct materials	80,000	24,000	30,000	-
Direct labour	70,000	80,000	70,000	-
Production Overheads	40,000	48,000	40,000	-
Closing stock	20,000	8,000	30,000	60,000

Output of Process 1 is transferred to Process 2 at 25% on the transfer price.
Output of Process 2 is transferred to Process 3 at 20% on the transfer price.
Output of Process 3 is transferred to Finished Stock at 10% on the transfer price.
Stocks in progress have been valued at prime cost. Finsihed stock has been valued at the price at which it was received form Process 3. Sales amounted to Rs . 8,00,000
Provision for internal process profits as on April 1 were:

	Rs.
Included in Process 2	2790
Included in Process 3	5380
Included in Finsihed Stock	13,068

Prepare process accounts showing the profit element at each stage.

OR

Q.5.

A multi product company has the following costs and output data for the last year.

Particulars	X	Y	Z	Amount
Sales mix	40%	35%	25%	
Selling price (per unit)(Rs.)	20	25	30	
Variable cost (per unit) (Rs.)	10	15	18	
Total Fixed cost(Rs.)				1,80,000
Total sales(Rs)				6,00,000

The company proposes to replace product Z by product A estimated cost & output data is as under.

Particulars	X	Y	A	Amount
Sales mix	50%	30%	20%	
Selling price (per unit)(Rs.)	20	25	32	
Variable cost (per unit) (Rs.)	10	15	16	
Total Fixed cost(Rs.)				1,80,000
Total sales(Rs)				6,00,000

Analyze the proposed change & suggest what decision the company should take?

Q.5. (A) Analyze the proposed change and suggest what decision the company should take? **07**

Q.5. (B) If the company spends Rs 50,000 on the advertisement expenses then only product A would be able to achieve its target for sales and the variable cost per unit for product "A" increases by Rs 3, will your decision change? **07**

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