

**GUJARAT TECHNOLOGICAL UNIVERSITY**  
**MBA - SEMESTER-II • EXAMINATION – SUMMER • 2014**

**Subject Code: 820001****Date: 20-05-2014****Subject Name: Cost and Management Accounting (CMA)****Time: 10.30 am - 13.30 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 (a)** Tough Ltd. factory is currently running at 50% capacity and produces 5,000 units at a cost of Rs.90 per unit as per details below; **07**

Materials	Rs.50
Labour	Rs.15
Factory Overheads	Rs.15 (Rs.6 fixed)
Administrative Overheads	Rs10 (Rs.5 fixed)

The current selling price is Rs.100 per unit. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%. Estimate profits of the factory at 60% and 80% working and offer your comments.

- (b)** State the difference between Financial Accounting and Cost Accounting. **07**

- Q.2 (a)** Matrix material provides following information. Compute (a) Price Variance, (b) Usage Variance, (c) Mix Variance and (d) Revised Usage Variance. **07**

Material	Standard			Actual		
	Qty.	Rate	Amount	Qty.	Rate	Amount
A	10	2	20	5	3	15
B	20	3	60	10	6	60
C	20	6	120	15	5	75

- (b)** What do you understand by ABC Analysis with respect to inventory? What are its advantages? **07**

**OR**

- (b)** Write short note on Overheads. **07**

- Q.3 (a)** What is a unit or output costing? In what industries is it used? **07**

- (b)** In Hitech Company for Job No.2198 the materials used were Rs.600 and labour cost charged directly to the jobs was Rs.400. Other information was as follows: Machine No.215 used for 40 hours; the machine hour rate is Rs.3.50. Machine No.160 used for 30 hours; the machine hour rate is Rs.4.00. 6 welders worked on the job for 5 days of 8hours each; the direct labour hour rate for welders is 20 paise. Other expenditure of the concern not apportioned for calculating the machine hour or the direct labour hour rates amounted to Rs.20,000, total direct wages for the period being Rs.20,000. Ascertain the works cost of Job No. 2198. **07**

**OR**

- Q.3 (a)** Write short note on batch costing. **07**

P.T.O.

- (b) In Asian Paints a product passes through two processes A and B and thereafter it is transferred to finished stock. The output of A passes to B and of B to finished stock. From the following information you are required to prepare process accounts. 07

Particulars	Unit	A	B
Material Consumed	Rs.	24,000	14,000
Direct Labour	Rs.	28,000	18,000
Manufacturing Expenses	Rs.	23,100	26,468
Input in Process A	Units	20,000	-
Input in Process A	Rs.	20,000	-
Output	Units	18,800	16,600
Normal wastage % of input	%	5%	10%
Value of normal wastage	Rs.	Rs.10 per 100 units	Rs.10 per 100 units

- Q.4 (a) Write a short note on transfer pricing method. 07  
 (b) What is break even analysis? State the two method of computing break even analysis. 07

**OR**

- Q.4 (a) The details of Glocal Ltd. is as follows: Margin of Safety = Rs.10,000 which represent 40% of sales. P/V ratio = 50%. Find out: 1. Break Even Sales 2. Fixed Cost 3. Total Sales 4. Profit. 07  
 (b) Pretty Snow Company manufactures and sells direct to consumers 10,000 jars per month at Rs.5 per jar. The company's normal production capacity is 20,000 jars per month. An analysis of cost of 10,000 jars shows: 07

Particulars	Rs.
Direct Materials	4,000
Direct Labour	9,900
Power	560
Miscellaneous Expenses	1,720
Jars	2,400
Fixed Expenses	31,820
Total	50,400

The company has received an offer for the export under a different brand name of 1,20,000 additional jars of snow at 10,000 jars per month at Rs.3 per jar. Write a note showing your calculations, on the advisability or otherwise of accepting the offer.

P.T.O.

- Q.5 (a)** A Company, manufacturing two products, furnishes the following data for two products: **07**

Products	Annual Output (Units)	Total Machine Hours	Total Number of purchase Orders	Total Number of Set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overhead are as under:

Particulars	Rs.
Volume related activity costs	5,50,000
Set-up related costs	8,20,000
Purchase related costs	6,18,000

You are required to calculate the cost per unit of each product A and B on the basis of Activity Based Costing Method.

- (b)** State the difference between Cost Audit and Financial Audit. **07**

**OR**

- Q.5 (a)** Mirch and Masala canteen provides the following details of running its canteen, compute the cost per meal served. **07**

Particulars	Rs.	Particulars	Rs.
Meat purchased	4,000	Helper's Salary	1,500
Fish purchased	1,500	Cleaner's Salary	1,000
Eggs purchased	500	Crockery and cutlery purchased	500
Vegetables purchased	1,000	Consumable stores purchased	500
Bakery items purchased	700	Gas	800
Fruits purchased	500	Premises rent	2,200
Milk	800	Repairs and maintenance	1,000
Beverages	1,000	Other administrative expenses	1,000
Supervisors' Salary	5,000	Number of meals served during the period	1,000
Cooks' Salary	5,000	Subsidy received from the company (Rs.)	15,000

- (b)** State True or False: **07**

- Variable cost per unit remains unchanged when output is increased or decreased.
- Cost accounting is a branch of financial accounting.
- Cost accounting can be used in manufacturing and non-manufacturing undertakings.
- Cost means expired cost while expense means expired as well as unexpired cost.
- Abnormal cost is uncontrollable.
- Main purpose of cost accounting is to maximize profit.
- Conversion cost is the aggregate of direct labour and manufacturing overheads.

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