Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER II– • EXAMINATION – SUMMER 2015

Subject Code: 2820001 **Date: 14/5/2015**

Subject Name: Cost and Management Accounting (CMA)

Time: 10.30 am to 01.30 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) Find the correct option. Each carry 1 mark** **6**

1. In Marginal cost accounting, While making the decision to change the volume of sales and level of activity, relevant cost for decision making is?

A.	Both Fixed Cost and Variable Cost	B.	Full Cost
C.	Only Variable Cost	D.	Only fixed Cost

2. Mangers Salary is

A.	Product Cost	B.	Period Cost
C.	A & B both	D	None of A & B

3. Margin of Safety is

A.	BEP sales – Budgeted Sales	B.	Actual sales – BEP sales
C.	BEP Sales – Actual Sales	D.	None of the above

4. If P/ V ratio of any company is increasing, it indicate

A.	Variable cost is decreasing	B.	Sales price per unit is increasing
C.	Sales is increasing	D.	All of the above

5. Decision regarding reorder level consider the following factors

A.	The minimum level	B.	The expected maximum consumption
C.	The lead time	D.	All of the above

6. Sales volume variance is represented as

A.	AQ*BP –BQ*BP	B.	AQ*BP-RQ*BP
C.	AQ*AP – BQ*BP	D.	None of the above

Q.1 **(b)** Explain the following terms: **04**

(i) Cost Center (ii) Overheads
(iii) Profit Center (iv) standard cost

Q.1 **(c)** From the following figures calculate the Economic order Quantity : **04**
Annual consumption of materials 600 units per annum at a unit cost of Rs. 20 and ordering cost per order is Rs. 12 and inventory carry cost is 20 %

Q.2 **(a)** XYZ ltd. Manufacture the electronic products. From the following data relating to a year 2014, you are required to prepare cost sheet as on March 2014. **07**

	Rs.
Consumable Materials	
opening stocks	15000
Purchases	115000
Closing stocks	20000
Direct wages	30000
Other direct expenses	15000
Factory overheads	100% of direct Wages
Office overheads	10% of works cost
Selling and distribution overheads	Rs. 3 per unit sold
Units of Finished products :	
in hand at the beginning of the period(value Rs 26500)	2000
Production during the year	20000
In hand at the end of period	3000

Also find the selling price per unit assuming that profit margin is uniformly made to yield a profit of 20% on selling price.

(b) From the following data find out the cost of joint three products using the physical measure methods. Pre separation –point costs Rs. 90000 **07**

Other production data :

Product	Units Produced	Raw materials Used (units)
Alpha	2000	25000
Beta	1000	10000
Gamma	1500	10000

OR

(b) Discuss the concept of Cost accounting and Management accounting. Also explain the difference between the Cost accounting and Management accounting. **07**

Q.3 **(a)** The standard material cost for 100 Kg of Chemical D is made up of : **07**

- Chemical A - 30 kg @ Rs. 4.00 per kg
- Chemical B- 40 kg @ Rs. 5.00 per kg
- Chemical C – 80 kg @ Rs. 6.00 per kg

In a batch, 500 kg of chemical D were produced from a mix of:

- Chemical A – 140 kg at a cost of Rs. 588
- Chemical B – 220 kg at a cost of Rs. 1056
- Chemical C – 440 kg at a cost of Rs. 2860

Compute (a) Material Cost Variance (b) Material Price Variance (c) Material Usage Variance (d) Material Mix variance

(b) What do you mean by Job costing? Discuss the difference between **07**

Job order costing and batch Costing.

OR

Q.3 **(a)** How do you allocate the cost in activity based costing ? Illustrate your answer with imaginary figures **07**

(b) Explain the concept of budgetary control and standard costing and variance Analysis. Also state difference between Standard costing and budgetary control. **07**

Q.4 **(a)** A product passes through the three processes A, B and C. The normal wastage of each process is as follows : **07**

Process A -3 %, Process B – 5% and Process C – 8%

- Wastage of process A was sold at 25 paise per unit and
- Wastage of process B was sold at 50 paise per unit and
- Wastage of process C was sold at 1 Rs per unit.

10000 units were issued to Process A in the beginning of the October 2014 at a cost of Rs. 1 per unit. The other Expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	Rs. 1000	Rs . 1500	Rs. 500
Labour	Rs. 5000	Rs . 8000	Rs . 6500
Direct Expenses	Rs. 1050	Rs.1188	Rs. 2009
Actual Output	9500 units	9100 units	8100 units

Prepare the process accounts A , B and C.

(b) "Marginal Costing is a valuable valuable technique to the management" critically evaluate the marginal costing. Also state the difference between marginal costing and absorption costing. **07**

OR

Q.4 **(a)** From the Following information, calculate : **07**

(i) Break Even point Expressed in terms of sales in Rupees and Units

(ii) Number of units that must be sold to earn a Profit of Rs. 60000 per year.

(iii) If the Sales Price reduced by 10% what will be new P/V Ratio.

Particulars	Amount (Rs.)
Sales Price	20 per unit
Variable Manufacturing cost	11 per unit
Variable Selling cost	3 per unit
Fixed Factory overhead	540000 per year
Fixed Administrative Cost	252000 per year

(b) The following data relate to a manufacturing company: **07**

- Actual for the year 2014 were :
  Selling price Rs. 50 per unit
  Material cost Rs. 20 per unit
  Variable manufacturing cost Rs. 15 per unit
  Fixed Cost Rs 27 lakhs

In order to improve capacity utilization and to earn profit of Rs 5 lahks per year the following proposals are considered :

(i) Reduce the selling price by 10%

(ii) Spend additionally Rs. 3 lakhs on Sales Promotion

Give your recommendation to company, whether they should choose option (i) or (ii) and why?

Q.5 The union Transport Company has been given a 20 kilometer long route to ply a bus. The bus costs the company Rs. 1,00,000. It has **14**

been insured at 3% per annum. The annual Road Tax amounted to Rs. 2000. Garage rent is Rs. 400 per month. Annual repair is estimated to cost Rs. 2360 and the bus will likely to last for five years.

The salary of the driver and the conductor is Rs.600 per month and Rs. 200 per month respectively in addition to 10% of taking as commission to be shared equally by them. The manager's Salary is Rs. 1400 per month and stationery will cost Rs. 100 per month. Petrol and oil will cost Rs. 50 per Kilometers. The Bus can make three round trips per day carrying average 40 passengers in each trip. It is assumed that 15% profit in consideration, the bus will ply on an average 25 days in a month

(i) Advise the company whether this deal is profitable
(ii) Show the statement showing operating profit on a full year basis
(iii) What should be charged by the company to each passenger per kilometer?
(iv) What is the boiler house costing? Show its costing with some imaginary figures.

OR

Q.5 Gemini Steel Ltd. Manufactures single product for which market demand exist for additional quantity; present sales of Rs. 60000 per month utilize only 60% capacity of the plant. Marketing manager assures that with the reduction of 10 % price he would be in a position to increase the sale by about 25% to 30%. **14**

The following data are available:

- Selling price Rs. 10 per unit
- Variable Cost Rs. 3 per unit
- Semi variable cost Rs 6000 Fixed + 50 paise per unit
- Fixed cost Rs. 20000 at present level estimated to be 24000 at 80% output

You are required to advise the company

(i) Whether they should make in any change in current level of operation or no?
(ii) Prepare statement showing operating profits at 60%, 70% and 80% levels at current selling price.
(iii) What will be the operating profits at proposed selling price at the above levels?
(iv) Is there any difference between fixed budget and flexible Budget? Discuss.

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