

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 02– • EXAMINATION – SUMMER 2016

Subject Code: 2820001

Date: 25/05/2016

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) (a) From the four alternative answers given against each of the following cases, 6 indicate the correct answer:

1. The primary objective of Cost accounting is to
 - a. Cost determination
 - b. Cost Control
 - c. Performance evaluation
 - d. All of the above.
2. In cement industry method of costing used is known as
 - a. Job Order Costing
 - b. Terminal Costing
 - c. Batch Costing
 - d. Process Costing
3. Miscellaneous overheads are apportioned to various production departments on the basis of
 - a. Indirect wages
 - b. Floor area
 - c. Direct wages
 - d. Number of workers
4. Is a hypothetical hour which represents the amount of work which should be performed in one hour under stated conditions.
 - a. Actual Hour
 - b. Budgeted Hour
 - c. Standard Hour
 - d. All of the above.
5. Contribution + Variable cost =
 - a. Profit
 - b. Fixed cost
 - c. Selling price
 - d. None of the above
6. A budget that gives a summary of all the functional budgets & projected profit & loss a/c is known as
 - a. Capital budget
 - b. Master budget
 - c. Flexible budget
 - d. Discretionary budget

Q.1) (b) Explain the following terms (any 4):

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- a. Cost Accounting
- b. Direct Labour

- c. Cost Sheet
- d. Marginal costing
- e. Budgetary Control

Q.1) (c) Distinguish between Cost Accounting & Financial Accounting on any five bases 4

Q.2) (a) Define Budgetary control. State the objectives & limitation of budgetary control. 7

Q.2) (b) The following extract of costing information relates to commodity D for the year ending 31st December 2014 7

Purchase of Raw Materials	Rs. 60,000
Direct Wages	Rs. 50,000
Rent, rates, insurance & works on cost	Rs. 20,000
Stock on 1 st January 2014:	
Raw materials	Rs.10,000
Finished Goods – 2000 tons	Rs. 8000
Stock on 31 st December 2014	
Raw Material	Rs. 11,000
Finished Goods- 4000 tons	-
Work-in-progress 1 st January 2014	Rs. 2400
Work-in-progress 31 st December 2014	Rs. 8000
Carriage inward	Rs. 1000
Cost of factory supervision	Rs. 4000
Sales of finished goods	Rs. 1,50,000

Advertising, discount allowed & selling costs Re. 0.40 per ton sold. 32,000 tons of the commodity were produced during the period. Ascertain:

- 1) The cost of the output of the period & the cost per ton of production.
- 2) The net profit per ton of the commodity.

OR

Q.2) (b) Relevant data relating to a company are: 7

Particulars	P	Q	R	TOTAL
Production & sales (Units)	60,000	40,000	16,000	
Raw materials used in units	10	10	22	
Raw material costs rupees	50	40	22	24,76,000
Direct labour hours	2.5	4	2	3,42,000
Machine hour	2.5	2	4	2,94,000
Direct labour costs (Rs)	16	24	12	
No. of production run	6	14	40	60
No. of deliveries	18	6	40	64
No. of receipts	60	140	880	1080
No. of production orders	30	20	50	100

Overheads	Rs
Setup	60,000
Machines	15,20,000
Receiving	8,70,000
Packing	5,00,000
Engineering	7,46,000

The company operates a JIT Inventory policy & receives each component once per production run.

Required:

- 1) Compute the product cost based on direct labour hour recovery rate of over heads.

2) Compute the product cost using activity based costing.

- Q.3)(a) What is operating costing? Draw a specimen cost sheet for canteen costing? 7
- Q.3)(b) A transport service company is running 4 buses between two towns which are 50 miles apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books for April: 7

Particulars	Rupees
Wages of drivers, conductors & cleaners	2,400
Salaries of office & supervisory staff	1,000
Diesel oil & other oil	4,000
Repairs & Maintenance	800
Taxation, Insurance etc	1,600
Depreciation	2,600
Interest & other charges	2,000
	14,400

Actual Passengers carried were 75 % of the seating capacity. All the four buses ran on all days of the month. Each bus made one round trip per day. Find out the cost per passenger mile.

OR

- Q.3) (a) What is process Costing? Explain the main features of process costing. Mention the industries where it is applied. 7
- Q.3) (b) AB Limited furnished you the following information relating to process B for the month of October 2014 7
- 1) Opening WIP – Nil
 - 2) Units introduced – 10,000 units @ Rs. 3 per unit.
 - 3) Expenses debited to the process; direct materials Rs. 14,650; labour Rs. 21,148; overheads Rs. 42,000.
 - 4) Finished output – 9,500 units
 - 5) Closing WIP 350 units; degree of completion : materials 100 %; labour & overheads 50 %
 - 6) Normal loss in the process – one percent of input
 - 7) Degree of completion of abnormal loss; materials 100 %; labour & Overheads 80 %
 - 8) Units scrapped as normal loss were sold at Rs. 1 per unit
 - 9) All the units of abnormal loss were sold at Rs. 2.50 per unit.
- Prepare
- a) Statement of Equivalent Production
 - b) Statement of cost
 - c) Process – B Account
 - d) Abnormal loss Account

- Q.4) (a) What do you understand by CVP Analysis? How CVP analysis is useful for the management? 7
- Q.4) (b) A Company sold in two successive periods 7,000 units & 9,000 units and has incurred a loss of Rs. 10,000 & earned Rs. 10,000 as profit respectively. The selling price per unit can be assumed at Rs. 100 7
- You are required to calculate:
- a) The amount of fixed cost
 - b) The number of units to break even
 - c) The number of units to earn a profit of Rs. 40,000

OR

- Q.4) (a) Define flexible budget. Explain its importance as a budgeting technique & a tool of control. 7
- Q.4) (b) The Standard cost of a chemical mixture is as follows: 7

40 % material A at Rs. 20 per kg

60 % material B at Rs. 30 per kg

A standard loss of 10 % of input is expected in production. The cost records for a period showed the following usage:

90 kg material A at a cost of Rs. 18 per kg

110 kg material B at a cost of Rs. 34 per kg

The quantity produced was 182 kg of good product.

Calculate all material variances.

Q.5 Tasty Bread makes & Supplies bread throughout the state of Gujarat. Three types of bread are produced: loaves, rolls, & buns. Seven operations describe the production process. 14

- Mixing ; flour, milk, yeast, salt, butter, & so on are mixed in large vat.
- Shaping; A conveyor belt transfers the dough to machine that weights it & shapes it into loaves, rolls, or buns, depending on the type being produced.
- Rising; the individually shaped dough is allowed to sit & rise.
- Baking; the dough is moved to 100 – feet long funnel oven. (the dough enters the oven on rack & spends 20 minutes moving slowly through the oven).
- Cooling; the bread is removed from the oven & allowed to cool.
- Slicing; for loaves & buns (Hamburger & hot dog), the bread is sliced.
- Packaging; the bread is wrapped (packaged)

Tasty bread produces its products in batches. The size of the batch depends on the individual orders that must be filled (orders come from retail grocers throughout the state). The production is continuous.

- Identify the condition that must be present for operating costing be used in this setting. If these conditions are not met, explain how process costing would be used. If process costing is used, would you recommend the weighted average method or FIFO method? Justify your answer.
- Assume that operating costing is the best approach for this bread manufacturer. Describe in detail how you would use operation costing. Use a batch of dinner rolls (Consisting of 1000 packages of 12 rolls) & a batch of whole loaves (Consisting of 5000, 24 –oz sliced loaves) as examples.

OR

Q.5) Manav Ltd is producing a software equipment from 5 components, three of which are made by using general purpose machines & two by manual labour. The data for the manufacture of equipment are as follows: 14

Components	A	B	C	D	E	TOTAL
Machine hours required per unit	20	28	24	-	-	72
Labour hours required per unit	-	-	-	4	2	6
Variable cost per unit (Rs)	32	54	58	12	4	160
Fixed cost per unit (apportioned)	48	102	116	24	26	316
Total component cost	80	156	174	36	30	476
Assembly cost/unit (All Variable)						40
Selling price/unit						600

The marketing department of the company anticipates a 45 % increase in demand during the next period. General purpose machinery used to manufacture

A, B & C which are already working to maximum capacity of 9504 hours & there is no possibility of increasing this capacity during the next period. But labour is available for making component D & E & also for assembly according to the demand. The management is considering the purchase of one of the components A, B or C from the market to meet the increase in demand. These components are available in the market at following prices:

Component A – Rs 100, Component B – Rs 300, & Component C- Rs 200.

Required:

- a) Profit made by the company from the current operations.
- b) If the company buys any one of the components A, B or C, what is the extent of additional capacity that can be created?
- c) Assuming a 50 % increase in demand during the next period, which component should be bought from the market?
- d) The increase in the profit, if any, if the component suggested in C is purchased from the market.
- e) Which component should be purchased & in what quantity if production is increased by 55 %?
