

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA I - SEMESTER - II EXAMINATION – WINTER • 2014

Subject Code: 2820001

Date: 24-12-2014

Subject Name: Cost and Management Accounting (C&MA)

Time: 02:30 pm - 05:30 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) A Ltd. produces product x which passes through two processes before it is completed and transferred to finished stock. From below data pertaining to process 2 prepare process 2 a/c. 07

Particulars	Amount (Rs.)
Opening stock	9,000
Direct Material	15,750
Transferred from process 1	54,000
Direct Wages	11,250
Factory overhead	4,500
Closing stock	4,500
Inter process profit included in opening stock	1,500
Inter process profit included in transferred from process 1	13,500

Output of process 2 transferred to finished stock at 20% profit on transfer price. stock in process is valued at prime cost.

- (b) What is Joint product & By-product? Explain any one method employed in costing “Joint product”. 07

- Q.2 (a) The ratio of variable cost to sales is 70%. Breck even point occurs at 60% of the capacity sales. Find out capacity sales when fixed costs are Rs.90, 000. Compute profit at 75% of capacity sales. Also compute sales at a profit of Rs.50, 000. 07

- (b) 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?

OR

- (b) Explain Key factor (Limiting factor) with imaginary figures.

07

- Q.3 (a)** X Bank operated for years providing three products CASA , personal loans and Visa card. The consultant identified the following activities, costs and activity drivers.(annual data) **07**

Activity	Activity cost	Activity Driver	Activity capacity
Providing ATM service	Rs.1,50,000	Number .of Transactions	2,00,000
Computer processing	Rs.10,00,000	Number .of Transactions	20,00,000
Issuing statements	Rs.6,00,000	Number of statements	4,00,000
Customer Inquires	Rs.4,00,000	Telephone Minutes	5,00,000

The following annual information on the three products was also made available.

	CASA	Personal loans	Visa card
Unit produced	30,000	5,000	10,000
Providing ATM service	1,80,000	-	20,000
Computer processing	15,00,000	2,00,000	3,00,000
Issuing statements	2,00,000	50,000	1,50,000
Customer Inquires	3,50,000	60,000	90,000

1. Calculate rates of each activity.
2. Calculate the cost of each product.

- (b)** Define cost accounting. State its functions. **07**

OR

- Q.3 (a)** A work order of 1000 Units of a commodity has to pass through three different machines of which machine hour rate is as under. Machine no.1 Rs.2.00, Machine no.2 Rs.2.50, Machine no.3 Rs.3.00. **07**

The following expenses have been incurred on the work order. Direct material Rs.22, 000.Direct wages Rs.8, 000.Machine 1, 2 and 3 worked for respectively 200,250 and 300 hours.

After the work had been executed material worth Rs.2,000 were returned to stores. office overhead are to be estimated 70% of works cost.10% of the production is going to be discarded being unsatisfactory for which 60%amount can be realized from sales in junk market .Find out the rate of selling price per unit if 20% profit on selling price is desired.

- (b)** The budgeted overhead for a cost center for the next accounting period is Rs.7, 50,000. In addition the following information is available for the period. **07**

Estimated Direct wages	Rs.6,00,000
Estimated Direct Material	Rs.2,50,000
Estimated Output	25000 Units
Estimated Machine Hours	20,000
Estimated Labour Hours	50000

You are required to work out the overhead recovery rate by using different methods.

- Q.4 (a)** State advantages and disadvantages of standard costing. **07**
(b) State features of a budget and steps involved in preparation of budget. **07**

OR

- Q.4 (a)** X Ltd. manufacturing a single product is facing severe competition in selling it at Rs.50 per unit. The company is operating at 75% level of capacity at which level the sales are Rs.15, 00,000 and variable cost Rs.30 per unit. Semi variable cost may be considered fixed at Rs.80,000 when output is nil and variable element is Rs.300 for each additional 1% level of activity. Fixed costs are Rs.1,40,000 at present level activity but at 80% level of activity or above these cost are expected to increase by Rs.50,000. **07**

To cope with the competition the management of the company is considering a proposal to reduce the selling price by 5%.you are required to prepare a statement showing operating profit at levels of activity 75%, 80%, 90% assuming that

- (a)The selling price is Rs.50.
(b)The selling price reduced by 5%.

- Q.4 (b)** A manufacturing concern opted standard costing furnishes below information. **07**

Standard	Actual
Material for 11 unit of finished product 150 kg.	Production 1100 units
Price per kg.Rs.10.	Material used 14000 kg
Labour hours per unit -12	Cost of material Rs.168000
Rate per hour. Rs.5	Hours taken in production 13600, idle time hours 400 Total 14000 hours. Payment of Rs.56000was made towards wages@ Rs.4 per hour.

Calculate Material & Labour variances.

- Q.5 (a)** A mineral is transported from two mines X and Y and unloaded at a plots in a railway station .Mine X is at a distance of 10 Kms. from railway and Mine Y is at a distance of 15 Kms. from railway plot .A fleet of lorries of 5 tone carrying capacity is used for the transport of mineral from the mines, records reveal that the lorries average speed is 30 Km. per hour when running and regularly takes 10 minutes to unload at the railhead. At mine X loading time averages 30 minutes per load while at a mine Y loading time averages 20 minutes per load. Driver's wages, depreciation, insurance & taxes are found to cost Rs.9 per hour operated. Fuel, oil, tiers, repairs & maintenance cost Rs.1.20 per Km. Prepare a statement showing the cost per tone-Km of carrying mineral from each mine. **07**
- (b)** Explain any two cost accounting standards applicable in India. **07**

OR

- Q.5 (a)** State the factors influencing pricing decisions. Explain premium pricing & skimming pricing. **07**

- (b) The following is the summarized Trading & Profit & loss a/c producing 500 water pumps for the year ending 31-03-2011. 07

Particulars	Amount	Particulars	Amount
To, Direct material	30,000	By, Sales	2,00,000
To, Direct wages	50,000		
To Manufacturing Exp.	25,000		
To, Office salary	30,000		
To, Rent & Taxes	5,000		
To, Selling Exp.	10,000		
To, General Exp.	20,000		
To, Net profit	30,000		
Total	2,00,000	Total	2,00,000

Prepare estimated cost sheet for the next year assuming output & sale of 750 water pumps so as to earn profit of 10% on selling

Price with below additional information.

1. The price of material will rise by 25%.
2. Wages during the year will rise by 10%.
3. Manufacturing cost will rise in proportion to combined cost of material and wages.
4. Selling cost per unit will remain unchanged.
5. Other expenses will remain unaffected by the rise in output.
