

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER-II • EXAMINATION – SUMMER 2018

Subject Code: 820001

Date: 29/05/2018

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)** Explain the advantages of and objections against Cost Accounting. **07**
- (b)** Explain in detail the classification of costs according to Variability and Controllability. **07**

- Q.2 (a)** Mr. Manish furnishes the following data relating to the manufacture of X-standard products during the month of April: **07**

Raw Materials Consumed	Rs. 15,000
Direct Labour Charges	Rs. 9,000
Machine Hours Worked	900 hours
Machine Hour Rate	Rs. 5
Administrative Overheads	20% on works cost
Selling Overheads	50 paise per unit
Units Produced	17,100 units
Units Sold	16,000 @ Rs. 4 per unit

You are required to prepare a cost sheet from the above, showing

- (i) Cost per unit
- (ii) Profit per unit sold
- (b)** What do you understand by Job Order Costing? Under what conditions, it is suitable? **07**

OR

- (b)** What do you mean by Activity Based Costing? Explain different stages involved in ABC system of costing? **07**
- Q.3 (a)** Define by products and joint products, what are the distinctions between them? Give examples. **07**

- (b)** The cost records show the following expenses of manufacturing 200 units of Product X in a process: **07**

Material	Rs. 4000/-
Labour	Rs. 1500/-
Overhead	Rs. 500/-

The standard normal wastage in production is 10% and it can be sold in the market at Rs.15 per unit. The actual production is 150 units which is attributable to gross carelessness of the workers. Prepare Process A/c and Abnormal Wastage A/c.

OR

- Q.3 (a)** What do you mean by Operating Costing? Explain characteristics, features and types of cost units used in operating costing. **07**

- (b) Kamlesh Company Ltd. is divided into four department A, B, & C production department and D is service department. The actual costs for October, 2009 are as follows: 07

Rent Rs. 1000

Repairs to plants Rs. 600

Depreciation of plant Rs. 450

Light Rs. 100

Supervision Rs. 1500

Fire insurance stock Rs. 500

Power Rs. 900

Employees state insurance contribution Rs. 150

The following information is available in respect of four departments.

Departments	A	B	C	D
Area sq ft.	1500	1100	900	500
No. of employees	20	15	10	5
Total wages Rs.	6000	4000	3000	2000
Value of Plant Rs.	24000	18000	12000	6000
Value of stock Rs.	15000	9000	6000	-

Apportion the cost to the various departments by preparing overhead distribution chart.

- Q.4 (a) Define decision-making. Explain the various steps involved in the decision-making process. 07

- (b) Shah Industries manufactures small capacity motors. The cost break-up of a motor is as under: 07

Material	Rs. 50
Labour	Rs. 80
Variable Overheads	75% of labour cost

Fixed overheads of the company amount to Rs. 2,40,000 p.a. The sales price of the motor is Rs. 230 each.

- (i) Determine the number of motors that have to be manufactured and sold in a year in order to break even.
(ii) How many motors to be made and sold to make a profit of Rs. 1,00,000.
(iii) If the sale price is reduced by Rs. 15 each, how many motors have to be sold to break even.

OR

- Q.4 (a) Explain the concept of transfer price. Elaborate in detail the different techniques available to work out the transfer price. 07

- (b) From the following details, which product would be recommended if time is the limiting factor? 07

Particulars	Product A	Product B
Direct Material Per Unit	Rs. 24	Rs. 14
Direct Labour @ Rs. 2 per hour	Rs. 20	Rs. 30
Variable Overheads (% of labour cost)	200%	300%
Selling Price Per Unit	Rs. 150	Rs. 200

- Q.5 (a) Define Budget. Elaborate in detail the necessary features of budgets. 07

- (b) Find out labour rate variance, labour efficiency variance and labour cost variance using the following data: 07
- Standard: 48 hours @ Rs. 3 per hour
Actual: 50 hours @ Rs. 3.50 per hour

OR

- Q.5 (a) Explain in detail the advantages of standard costing system. 07
- (b) A department attains a sale of Rs. 6,00,000 at 80% of its normal capacity and its expenses are given below: 07

Administrative Expenses	Rs.	Selling Costs	Rs.
Office Salaries	90,000	Salaries	8% of sales
General Expenses	2% of sales	Travelling Expenses	2% of sales
Depreciation	7,500	Sales Office Expenses	1% of sales
Rates & Taxes	8,750	General Expenses	1% of sales

The distribution costs are: Wages – Rs. 15,000, Rent – 1% of sales, and other expenses – 4% of sales.

Draw up a flexible administration overhead, selling and distribution overhead costs budget, operating at 80%, 90%, 100% and 110% normal capacity.
