Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–II • EXAMINATION – WINTER • 2014

Subject Code: 820001 Date: 24-12-2014

Subject Name: Cost and Management Accounting (CMA)

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 AB Ltd is engaged in process engineering industry. During the month of April, 2000 units were introduced in Process X. The normal loss was estimated at 5% of input. At the end of the month, 1400 units had been produced and transferred to Process Y, 460 Units were incomplete. The Entire process had to be scrapped. The incomplete units had reached the following stages of completion: **14**

Material 75% completed
Labour 50 % completed
Overhead 50 % completed

Following are the further information on Process X

Cost of 2000 units	Rs. 58,000
Additional Direct Material	14,400
Direct Labour	33,400
Direct Overheads	16,700
Units scrapped realized	Rs. 10 each

Prepare the following:

(a) Statement of Equivalent Production, (b) Statement of Cost, (c) Cost per Equivalent Unit, (d) Statement of Evaluation, (e) Process X Account, and (f) Abnormal Loss Account

Q.2 **(a)** From the following information, prepare the cost sheet per unit. **07**

Opening stock 1 Jan. 2002	
Raw materials 500 units	Rs. 600
Finished goods 500 units	3500
Purchase of raw materials(1000 units)	19270
Closing stock 31 Jan. 2003	
Raw materials 300 units	1510
Finished goods 700 units	3850
Office expenses, rent and rate	2448
Repair and depreciation on plant and machinery	2040
Printing and stationery	1836
Manufacturing and wages	19380
Factory rent and taxes	3468
Coal consumed	5916

Selling price is Rs. 6 per unit.

(b) Write a note on Target Costing. **07**

OR

(b) Differentiate among cost tracing, cost allocation, and cost apportionment. **07**

Q.3 Auto Link Ltd has an annual production of 90,000 units for a motor component. The component's cost structure is as follows: **14**

Materials	Rs. 270 per unit
Labour (25% fixed)	180 per unit
Expenses:	
Variable	90 per unit
Fixed	135 per unit
Total cost	**675 per Unit**

(a) The purchase manager has an offer from a supplier who is willing to supply the component at Rs 540. Should the component be purchased and production stopped?

(b) Assume the resources now used for this component's manufacture are to be used to produce another new product for which the selling price is Rs 485.

In the latter case, the material price will be Rs 200 per unit. 90,000 units of this product can be produced on the same cost basis as above for labour and expenses. Discuss whether it would be advisable to divert the resources to manufacture the new products, on the footing that the component presently being produced would, instead of being produced, be purchased from the market.

OR

Q.3 **(a)** Define by products and joint products, what are the distinctions between them? Give Examples. **07**

(b) M/s. ABC Ltd is committed to supply 24,000 bearings per annum to M/s. Deluxe Fans on a steady daily basis. It is estimated that the inventory holding cost per bearing per month is 10 paise, and the set up cost per run of bearing manufacture is Rs. 324. **07**

(i) What should be the optimum run size for bearing manufacture?

(ii) What would be the interval between two consecutive optimum runs?

Q.4 **(a)** Standard material required for manufacturing 100 kg chemical X is given below: **07**

45 kg. of material A at Rs. 2 per kg.
40 kg. of material B at Rs. 4 per kg
25 kg. of material C at Rs. 6 per kg

The standard loss is 10 kg. During the 42nd week, 2000 kg of chemical X were produced and the actual usage of material were as follows:

Material A- 1000 kg. at Rs. 1.90 per kg
Material B- 850 kg. at Rs. 4.20 per kg.
Material C- 450 kg. at Rs. 6.50 per kg.

You are required to calculate: (a) Total material cost variance, (b) Material usage variance, (c) Material price variance, (d) Material mixture variance,
(e) Material yield variance.

(b) How would you allocate cost in activity – based costing? Illustrate your answer with imaginary figures? **07**

OR

Q.4 **(a)** A department attaints 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	Rs. 90,000	Salaries	8% of sales
General Expenses	2% of sales	Travelling Expenses	2% of sales
Depreciation	Rs. 7500	Sales office Expenses	1% of sales
Rates and Taxes	Rs. 8750	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.

(b) Would you feel that, Rolling budget provide the supports to the managers to achieve the realistic and attainable target? Comment. **07**

Q.5 Write any Three Short Notes: **14**

- absorption of overheads
- Margin of safety
- CVP Analysis
- Difference between Cost Accounting and Management Accounting

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