

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA (AM) – SEMESTER – 09 EXAMINATION – WINTER - 2018

Subject Code: 4190513

Date: 27/11/2018

Subject Name: Cost and Management Account

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)** “Limitation of financial accounting have made the management to realize the importance of cost & management accounting” comment. **07**
- (b)** Explain ABC analysis and EOQ technique of inventory control. **07**
- Q.2 (a)** Define costing and discuss objectives of cost and management accounting. **07**
What are the methods of costing that are used in cost accounting?
- (b)** Why flexible budget considered superior to flexible budget? **07**
- OR**
- (b)** Distinguish between following. **07**
(a) Job & Batch Costing (b) Normal loss & Abnormal loss

- Q.3 (a)** FD limited process a patent material used in buildings. Material is produced in three consecutive grades, viz. A, B and C. **07**

	Process I	Process II	Process III
Raw material used	1000 tones	-----	-----
Cost per tones	Rs 200	-----	-----
Manufacturing wages expenses	Rs 87500	Rs 39500	Rs 10710
Weight loss (% of input of the process)	5%	10%	20%
Scrap (sales price Rs 50 per tone)	50 tones	30 tones	51 tones
Sale price per tone	Rs 350	Rs 500	Rs 800

Management expenses amount to Rs 17500 and selling expenses are Rs 10000. Two thirds of the output of process I and one-half of the output of process II are passed on to the next process and the balance is sold. The entire output of process III is sold. Prepare the three process accounts and a statement of profit. Make approximations wherever necessary.

- (b)** Describe the general principles of process costing and what are the fundamental principles of process costing? **07**

OR

- Q.3 (a)** What do you mean by operating costing? Explain characteristics and features of operating cost in details. **07**

- (b) From the following data relating to two different vehicles, A and B, compute the cost per tone – mile. 07

	A	B
Mileage run (annual)	15000	6000
Tones per mile (average)	6	4
	RS	RS
Cost of vehicles	25000	15000
Road license (annual)	750	750
Insurance (annual)	700	400
Garage rent	800	700
Supervision and salaries (annual)	2500	2500
Driver's wages per hour	3	3
Cost of petrol per gallon	3	3
Miles run per gallon	20 miles	15 miles
Repairs and maintenance charge (Rs / mile)	1.65	2.00
Tyre allocation per mile	0.40	0.60
Estimated life of the vehicle (miles)	100000	75000

You are required to charge interest on cost of vehicle at 5 % per annum. The vehicles run 20 miles per hour on an average.

- Q.4 (a) Elaborate in detail the necessary steps needed to establish a standard costing system. 07
- (b) A department attains a sale of Rs 600000 at 80% of its normal capacity and its expenses are given below. 07

Administrative Expenses	Rs	Selling Costs	Rs
Office Salaries	90000	Salaries	8% of sales
General Expenses	2% of sales	Travelling Expenses	2% of sales
Depreciation	7500	Sales office expenses	1% of sales
Rate and Taxes	8750	General Expenses	1% of sales

The distribution costs are: Wages – Rs 15000; Rent – 1% of Sales; and others Expenses – 4% of Sales.

Draw up a flexible Administration overhead, selling & distribution overhead, cost budget, operating at 80%, 90%, 100% and 110% of normal capacity.

OR

- Q.4 (a) What is CVP analysis? How does it help the management? 07
- (b) Following details are available: 07

	Sales	Total cost
Period I	Rs 39000	Rs 34800
Period II	Rs 43000	Rs 37600

Calculate variable cost, fixed cost and contribution for each period.

- Q.5 (a) What is MOS & BEP analysis? How MOS can be improved and how it can help the management? 07
- (b) What do you mean by pricing decision? Explain in detail the objectives of pricing decision. 07

OR

- Q.5 (a) Define decision making. Explain the role of costs in decision making. 07
- (b) State provision of company's Act 1956 with respect to cost accounting records. 07
