Seat No. : _______________

MT-135

March-2019

4th Years MBA Integrated, Sem.-VIII

Advanced Cost and Management Accounting

Time : 2:30 Hours] **[Max. Marks : 70**

1. E Ltd. furnish the following information for 10000 units of a product manufactured during the year 2018. **14**

Material	90000
Direct Wages	60000
Power and Consumable stores	12000
Indirect wages	13000
Factory Lighting	5500
Other factory expense	3000
Clerical staff salaries and management expenses	33500
Selling expenses	5500
Depreciation on plant	11500

The net selling price was ₹ 31.60 per unit sold and all units were sold. As from 1/1/2019, the selling price was reduced to ₹ 31 per unit. Is was estimated that production could increase in 2019 by 50% due to spare capacity.

The rate of materials and direct wages will increase by 10%.

You are required to prepare :

(a) Cost sheet for the year 2018 showing various elements of cost per unit.

(b) Estimated cost and profit for the year 2019.

Assuming that 15000 units will be produced and sold during the year and factory overheads will be recovered as a percentage of direct wages and office and selling expenses as a percentage of works cost.

OR

Elite Ltd. was engaged on one contract during the year 2018. The contract price was ₹ 20,00,000. The trial balance extracted from the books on 31st December, 2018 stood as follows : **14**

Particulars	Debit	Credit
Share Capital		40,00,000
Sundry Creditors		4,00,000
Building	17,00,000	
Cash at Bank Contract A/c:	4,50,000	
Material Labour Plant	37,50,000 52,50,000 10,00,000	
Cash received from Contractee (80% of work certified)		80,00,000
Expenses	2,50,000	
	1,24,00,000	**1,24,00,000**

Of the plant and material charged to contract, plant costing ₹ 150,000 and material costing ₹ 120,000 were destroyed by and accident.

On 31st December, 2018, plant costing ₹ 200,000 was returned to stores and material at site was valued at ₹ 150,000. Cost of work uncertified was ₹ 100,000. Charge depreciation on plant at 10%. Prepare Contract account and balance sheet as on 31st December, 2018.

2. A product passes through three processes-A, B, C. The details of expenses incurred on the three processes during the year 2018 were as under : **14**

Processes	A	B	C
Units Introduced	10,000	-	-
Cost per unit (₹)	100	-	-
Material (₹)	10,000	15,000	5,000
Labour (₹)	30,000	80,000	65,000
Direct expenses (₹)	6,000	18,150	27,200
Selling price per unit of output	120	165	250

Management expenses during the year were ₹ 80,000 and selling expenses were ₹ 50,000. These are not allocated to the processes.

Actual output of the three process was

A - 9,300 units

B - 5,400 units

C - 2,100 units

2/3rd of the output of Process A and 1/2 of the output of Process B was passed on to the next process and balance was sold. The entire output of Process C was sold.

The normal loss of the three processes, calculated on the input of every process was: Process A- 5%, B-15% and C-20%. The loss Process A was sold at ₹ 2 per unit, that of B at ₹ 5 per unit and of Process C at ₹ 10 per unit.

Prepare three Process Accounts and the Profit and loss account.

3. (A) Answer Any **Two** from the following : **7**

Shine Ltd. is operating at 70% capacity and presents the following Information:

Break-even point ₹ 200 crores

P/V Ratio 40%

Margin of Safety 20%

The Management has decided to increase production to 95% capacity level with the following modifications :

1. The selling price will be reduced by 8%
2. The variable cost will be reduced by 5% on sales
3. The fixed cost will increase by 25%, including depreciation on additions, but excluding interest on additional capital.
4. Additional Capital of ₹ 50 crores will be needed for capital expenditure and working capital.

Required :

(a) Indicate the sales figure that will be needed to earn 50% increase in the present profit and also meet 20% interest on the additional capital.

(b) What will be the revised: (i) BEP, (ii) P/V ratio (iii) Margin of Safety.

(B) A manufacturer has planned his level of operation at 50% of his plant capacity of 30,000 units. His expenses are estimated as follows, if 50% of the plant capacity is utilized : **7**

1. Direct Materials ₹ 8280
2. Direct Wages ₹ 11160
3. Variable and other manufacturing expenses ₹ 3960
4. Total Fixed expenses irrespective of capacity utilisation ₹ 6000.

The expected selling price in the domestic market is ₹ 2 per unit. Recently the manufacturer has received a trade enquiry from the overseas organisation interested in purchasing 6000 units at a price of ₹ 1.45 per unit.

As a management accountant, what would be your suggestion regarding acceptance and rejection of the offer ?

(C) Discuss the following terms with suitable examples : **7**

1. Relevant Cost
2. Differentia! Cost
3. Sunk Cost
4. Explicit Cost
5. Opportunity cost
6. Semi-variable cost
7. Uncontrollable cost

4. (A) Shubh-Labh Ltd. provides you the following information : **8**

1. Sales and Purchases and Expenses

	April	**May**	**June**	**July**	**Aug**	**Sept.**
Cash sales	8,000	12,000	16,000	20,000	24,000	28,000
Collection from debtors	16,000	32,000	48,000	64,000	80,000	96,000
Cash purchases	8,000	12,000	16,000	20,000	24,000	28,000
Payment to creditors	12,000	24,000	36,000	48,000	60,000	72,000
Payment of expenses	12,000	5,000	7,800	2,950	27,000	20,000

2. The opening cash balance of ₹ 10,000 is the minimum cash balance to be maintained.
3. Any short fall in the minimum cash balance is to be met by bank borrowings in the multiple of ₹ 10,000. Bank interest is payable for a minimum period of a month.
4. Any surplus cash is to be used to repay the borrowings in the multiple of ₹ 5000 or to purchase the marketable securities in the multiple of ₹ 10000. [ignore Interest on securities received and paid]

Prepare the Cash Budget for April to September.

OR

A Ltd. furnishes the following information : **8**

	Budgeted	**Actuals**
Production in units	20000	22000
Fixed Overheads (₹)	30000	31000
No. of working days	25	27

Budgeted fixed overhead rate is Re 1 per hour. In July, the actual hours worked were 31,500. Compute Overhead Variances.

(B) Write a note on any **one** : **6**

1. Various types of budgets
2. Advantages and limitations of Standard Costing System

5. Write a note on the following : [Any **four**] **14**

1. Cost reduction
2. Throughput Costing
3. Target Costing
4. Various pricing decisions
5. Activity based costing system