Seat No. : _____

AL-109

April-2015

4th year M.B.A., Integrated

Advanced Cost & Management Accounting

Time : 3 Hours] **[Max. Marks : 100**

1. (A) The summarized trading and Profit and Loss Account of Speed Ltd. for the year ended on 30th September, 2014 is as under : **10**

Particulars	Amount ₹	Particulars	Amount ₹
To Cost of material	12,00,000	By Sales	69,60,000
To Direct Wages	18,00,000		
To Manufacturing expenses	9,60,000		
To Gross profit	30,00,000		
	69,60,000		**69,60,000**
To Staff salary	7,20,000	By Gross Profit	30,00,000
To Rent and taxes	1,20,000		
To Selling expenses	6,00,000		
To General expense	4,80,000		
To Net profit	10,80,000		
	30,00,000		**30,00,000**

During the year the company manufactures 2000 bikes. For the year ending 30th September, 2014 it is estimated that :

(1) Output and sales will be 2200 bikes.

(2) Price of material will rise by 30% on the previous year's level.

(3) Wage rates will rise by 50%.

(4) Manufacturing cost will rise by 25%.

(5) A bonus of 1/6th of salary is expected to be paid to office staff.

(6) Selling cost and other expenses will rise in proportion to the cost of materials.

Prepare a Statement of Cost to show a profit of 10% on selling price.

(B) Discuss the difference between : **10**

(1) Cost Accounting and Management Accounting.

(2) Job Costing and Process Costing.

2. (A) A product passes through three processes A, B and C. The details of expenses incurred on the three processes during the year 2014 were as under : **10**

Particulars	A	B	C
Units introduced	1,00,000	–	–
Materials (₹)	50,000	75,000	25,000
Labour (₹)	1,50,000	4,00,000	3,25,000
Direct expenses (₹)	30,000	90,750	1,36,000
Selling price per unit of output	600	825	1,250

Management expenses and selling expenses of ₹ 4,00,000 and ₹ 2,50,000 respectively are not allocated to process accounts.

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

Actual output in units was; Process A: 46500, Process B: 27000, Process C: 10500. Two third of the output of Process A and one half 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. Prepare Three Process Accounts and Profit and Loss Account.

(B) From the following data relating to three different vehicle; compute the cost per running kilometer : **10**

	Vehicle – 1	Vehicle – 2	Vehicle – 3
Life of vehicle	1000000 kms	800000 kms	
	15000		18000
Cost of vehicle	1000000	750000	1500000
Annual license fees	7500	7500	7500
Insurance p.a.	2500	2000	2600
Shade Rent p.m.	800	800	800
Supervision charges p.a.	12000	12000	12000
Driver's salary per hour	12	12	12
Kilometers run per hour	20	15	24
Petrol cost per litre	60	60	60
Repairs and maintenance per km.	1.65	1.85	2.0
Tyre maintenance per km.	1	1.2	0.90
Interest on cost of vehicle	5%	5%	5%
The vehicle runs 20 kilometers per hour on an average			

3. (A) Answer the following : **12**

(1) Define Break even point. What are the assumptions in break even analysis ?

(2) Explain briefly three specific decision making areas where the principles of marginal costing could be applied.

OR

(1) Explain the meaning of Marginal Costing, Differential Costing and Relevant costing. Also point out their difference.

(2) The following information is given :

Output in units 1125000, Fixed cost ₹ 1687500, variable cost per unit ₹ 3 and selling price per unit ₹ 7.5.

Compute :

(1) Break even point

(2) P/V ratio

(3) Sales needed for a profit of ₹ 13,50,000

(4) Profit, if 9,00,000 units are sold at ₹ 15 per unit.

(B) Following information has been made available from the cost record of united automobiles Ltd. Manufacturing two spare parts : **8**

Material for A ₹ 80 per unit.

Material for B ₹ 60 per unit.

Wages – A 24 hours at ₹ 2.5 per hour

Wages – B 16 hours at ₹ 2.5 per hour

Variable overheads for A and B – 150 % of Wages.

Fixed overheads ₹ 7,500.

Selling price A-250, B-200.

The directors want to acquire the desirability of adopting any one of the following alternative sales mixes in budget for the next period :

250 units of A and 250 units of B

400 units of A only

400 units of A and 100 units of B

150 units of A and 350 units of B

State which of the alternative sales mix you would recommend to management.

4. Attempt any **two** from the following :

(A) From the following compute Sales Variances : **10**

Product	Standard		Actual	
	Quantity	Selling price	Quantity	Selling price
A	6000	6	5250	7
B	5000	15	4750	16
C	4500	20	5500	18
D	7000	25	8000	24

(B) Prepare cash budget for three months ended 31st May 2015 based on the following information for Carnival Ltd. : **10**

Months	Total Sales	Material	Wages	Factory overheads	Selling and Distribution overheads
January	100,000	100,000	20,000	16,000	4000
February	110,000	70,000	22,000	16,500	4500
March	140,000	70,000	23,000	17,000	4500
April	180,000	110,000	23,000	17,500	5000
May	150,000	100,000	20,000	16,000	4500

Additional information :

(1) Cash balance as on 1st March, 2015 ₹ 75,000

(2) Cash sales are 50% of total sales.

(3) Sales commission at 5% on total sales is to be paid within a month following actual sales.

(4) A new machine is to be installed on 1st April at ₹ 1,50,000 on hire purchase agreement. The amount to be repaid in three equal installments along with 12% interest per annum on outstanding amount, the installments are to be paid at the end of April, May and June.

(5) Time Credit sales 1 month, Credit purchase 2 months, Overheads 1 month and wages ½ month.

(6) ₹ 50,000 being the amount of 2nd call and share premium amounting to ₹ 10,000 will be received in the month of March.

(C) The following is the composition of gang of workers in a factory during a particular month, in one of the production departments. The standard composition of workers and wage rate were as below : **10**

20 skilled workers at a standard rate of ₹ 200 per hour each.

20 semiskilled workers at a standard rate of ₹ 120 per hour each.

40 unskilled workers at a standard rate of ₹ 80 per hour each.

The standard output of the gang was 4 unit per hour of a product.

During the month actual composition of gang was 20 skilled, 30 Semi-skilled and 50 unskilled workers at ₹ 200, ₹ 140 and ₹ 100 per hour each respectively.

The gang was engaged for 200 hours during the month, which includes 12 hours when no production was possible due to machine break down. Actual output is 810 units of the product during the month.

Compute all Labour Variances.

5. Write a note on any **four** of the following : **20**

(1) Distinguish between Activity based costing and traditional costing system.

(2) Life cycle costing.

(3) Target costing.

(4) Throughput costing.

(5) Zero based budgeting.