

AF-138

April-2015

T.Y. M.B.A., Sem.-VI (Integrated)**Cost & Management Accounting****Time : 3 Hours]****[Max. Marks : 100**

1. (a) Meaning of Cost Accounting and its objectives. **4**
 (b) Explain any two methods of Joint Product and By Product. **4**
 (c) The following data related to **Process Q** : **12**

(i)	Opening work in process 4000 units Degree of completion		
	Material	100%	₹ 24,000
	Labour	60%	₹ 14,400
	Overheads	60%	₹ 7,200
(ii)	Received during the month of April, 1998 from Process P 40,000 units		₹ 1,71,000
(iii)	Expenses incurred in the Process Q during the month		
	Materials	₹ 79,000	
	Labour	₹ 1,38,230	
	Overheads	₹ 69,120	
(iv)	Closing work in process : Degree of Completion :		3000 units
	Materials	100%	
	Labour & Overheads	50%	
(v)	Units scrapped Degree of completion :		4000 units
	Materials	100%	
	Labour and Overheads	80%	
(vi)	Normal loss 5% of current input		
(vii)	Spoiled goods realized ₹ 1.50 each on sale		
(viii)	Completed units are transferred to warehouse		

Required : Prepare

- (1) Equivalent units statement
- (2) Statement of cost per equivalent unit and total cost
- (3) Process Q Account
- (4) Any other account necessary.

2. (a) Prakash and Co. manufacture two products X-1 and X-2. The following overhead activities are involved : 15
 Power, maintenance, factory supervision and quality inspections. The expected costs for these activities are follows :

	₹
Power	2,20,000
Maintenance	2,00,000
Factory Supervision	1,56,000
Quality Inspections	<u>90,000</u>
	<u>6,66,000</u>

The activity drivers for each product are follows :

Overhead Cost	Activity Driver
Power	Kilowatt hours
Maintenance	Area occupied
Factory supervision	Number of Employees
Quality inspections	Number of Inspections

The amounts of activity drivers for each product are given below :

Product	kW hours	Area (Sq. meter)	No. of Employees	No. of Inspection
X-1	4,00,000	875	48	144
X-2	6,00,000	1625	72	216
Total	10,00,000	2500	120	360

Compute an overhead application rate for each activity and allocate the overhead costs of each product.

- (b) Differentiate between Marginal Costing and Absorption Costing. 5
3. (a) The following particulars are extracted from the records of a company : 8

Particulars	Product A Per unit	Product B Per unit
Sales	₹ 100	₹ 120
Consumption of Material	2 kg	3 kg
Material Cost	₹ 10	₹ 15
Direct wages cost	₹ 15	₹ 10
Direct Expenses	₹ 5	₹ 5
Machine hours used	3	2
Overhead Expenses :		
Fixed	₹ 5	₹ 10
Variable	₹ 15	₹ 20

→ Direct Wages per hour is ₹ 5

→ Assuming raw material as the key factor, availability of which is 10000 kg and maximum sales potential of each product being 3500 units, find out the product mix which will yield the maximum profit.

(b) Attempt any **three** :

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(i) The following information is related to a business unit :

Days	Sales (₹)	Profit (₹)
Monday and Tuesday	1,00,000	21,000

→ Tuesday's sales and profit ₹ 15,000 and ₹ 9,000 respectively are more than Monday.

→ Calculate Break Even Sales

(ii) C.V.P. Analysis

(iii) Relevant Cost and Sunk Cost

(iv) Imputed Cost and Discretionary Cost

4. (a) Good Morning Ltd. is currently operating at 75% of its capacity. In the past two years, the level of operations were 55% and 65% respectively. Presently the production is 75,000 units. The company is planning for 85% capacity level during 2014-15. The cost details are as follows :

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Particulars	55% (₹)	65% (₹)	75% (₹)
Direct Material	11,00,000	13,00,000	15,00,000
Direct Labour	5,50,000	6,50,000	7,50,000
Factory Overheads	3,10,000	3,30,000	3,50,000
Selling Overheads	3,20,000	3,60,000	4,00,000
Administrative Overheads	1,60,000	1,60,000	1,60,000

Profit is estimated at 20% on sales :

→ The following increases in costs are expected during the year :

- Direct Material 8%
- Direct Labour 5%
- Variable Factory Overheads 5%
- Variable Selling Overheads 8%
- Fixed Factory Overheads 10%
- Fixed Selling Overheads 15%
- Administrative Overheads 10%

→ Prepare Flexible Budget at 85% capacity for the year 2014-15.

(b) Attempt any **two** :

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(i) Objectives of Budgetary Control

(ii) Cost control and Cost Reduction

(iii) Classification of Budgets according to Flexibility

5. (a) The Standard Material cost for a normal mix of one tonne of chemical X is based on : 10

Chemical	Usage (kg.)	Price per kg. (₹)
A	240	6
B	400	12
C	640	10

→ During a month 6.25 tonnes of X were produced from

Chemical	Consumption (tonnes)	Cost (₹)
A	1.6	11,200
B	2.4	30,000
C	4.5	47,250
	8.5	88,450

→ Analyse the variances.

- (b) The following information was obtained from the records of a manufacturing unit using Standard Costing System : 10

Particulars	Standard	Actual
Production	4,000 units	3,800 units
Working Days	20	21
Fixed overhead	₹ 40,000	₹ 39,000
Variable Overhead	12,000	12,000

→ You are required to calculate the following overhead variances :

- (a) Variable Overhead Variances
 (b) Fixed Overhead Variances
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