Seat No. : _______________

XV-103

Five Years M.B.A. Integrated (K.S.)
T.Y. M.B.A.
April-2013

Cost and Management Accounting

Time : 3 Hours] **[Max. Marks : 70**

1. (A) Following are the particulars of a Factory for the year 2012. **10**

			₹
(1)	Opening Stock of WIP : 900 units		9,000
	Degree of completion :	Materials – 100%	
		Labour – 60%	
		Overhead – 60%	
(2)	Transferred from Process – I : 9100 units		54,600
		Direct Labour	24,600
		Overhead	16,400

(3) Units scrapped : 1200 units
Degree of Completion : Materials – 100%, Labour – 70%, Overhead – 70%

(4) Closing stock of WIP – 1000 units
Degree of Completion : Materials – 100%, Labour – 80%, Overhead – 80%

(5) Transferred to Process III – 7800 units.

(6) Normal Wastage : 10% of the total input (including opening stock), scrap value : ₹ 6 per unit.

From the above information, using FIFO method, prepare :

(1) Statement of Equivalent production.

(2) Statement of Cost.

(3) Statement of Evaluation.

(4) Process – II Account.

(B) Differentiate between Integrated Cost Accounting System & Non-Integrated Cost Accounting System. **4**

2. (A) What is Management Accounting ? How does Management Accounting differ from Cost Accounting ? **4**

(B) The following is the summary of trading & P & L A/C of M/S Aayush Manufacturing Company Ltd. for the year ended on 31-3-2013. **10**

Dr. **Trading and P & L Account** **Cr.**

Particulars	**₹**	**Particulars**		**₹**
To Material Consumed	13,70,000	By Sales (60,000units)		30,00,000
To Wages	7,55,000	By Finished Stock (2000 units)		80,000
To Factory expenses	4,15,000	By Work-in-progress :		
To Gross Profit C/F	6,00,000	Materials	32,000	
		Wages	18,000	
		Factory expenses	10,000	60,000
	31,40,000			**31,40,000**
To Administrative expenses	1,90,700	By Gross Profit b/d		6,00,000
		By Dividend Received		9,000
To Selling & distribution expenses	2,25,000			
To Preliminary Expenses (Written off)	20,000			
To Goodwill (written off)	10,000			
To Net Profit	1,63,300			
	6,09,000			**6,09,000**

The company manufactures a standard unit. In the Cost Accounts :

(1) Factory expenses have been allocated to the production at 20% on Prime Cost.

(2) Administration expenses at ₹ 3.00 per unit on units produced.

(3) Selling & distribution expenses at ₹ 4.00 per unit on units sold.

You are required to prepare cost sheet of the company and to reconcile it from the profit disclosed in the Financial Accounts.

OR

2. The following are the Balance Sheets of Avirat Ltd. as on 31-3-2012 & 31-3-2013. **14**

Liabilities	**31-3-2012** ₹	**31-3-2013** ₹	**Assets**	**31-3-2012** ₹	**31-3-2013** ₹
Equity Shares of ₹ 100 each	4,00,000	6,80,000	Fixed Assets	6,00,000	8,00,000
			Investment	1,60,000	2,00,000
Share Premium	–	20,000	Stock	3,00,000	3,20,000
General Reserve	80,000	90,000	Debtors	1,80,000	1,20,000
Capital Reserve	20,000	40,000	Bills Receivable	80,000	40,000
P & L Account	1,20,000	1,60,000	Bank Balance	–	70,000
10% Convertible Debenture	2,00,000	1,00,000	Preliminary expenses	40,000	30,000
Creditors	1,00,000	80,000			
Bills Payable	30,000	40,000			
Bank Overdraft	1,10,000	–			
Provision for Taxation	60,000	70,000			
Proposed Dividend	40,000	60,000			
Depreciation Fund	2,00,000	2,40,000			
	13,60,000	**15,80,000**		**13,60,000**	**15,80,000**

Additional Information :

During the year ending 31-3-2013 :

(1) The company had issued new equity shares to equity shareholders as right shares in the ratio of 2 : 1 at face value.

(2) After issuing right shares the company converted 1,000 convertible debentures of ₹ 100 each into 800 equity shares of ₹ 100 each.

(3) One of the fixed assets costing ₹ 1,00,000 on which accumulated depreciation was ₹ 40,000 had been sold for ₹ 50,000.

(4) Sold investment of ₹ 60,000 at profit, the profit being credited to capital reserve.

(5) Bad debts of ₹ 4,000 were written off.

(6) Closing Stock was under valued by ₹ 20,000.

(7) Paid ₹ 50,000 as tax for the last year and also paid the amount of proposed dividend of the last year.

From the above information, prepare cash flow statement. All the necessary calculation are to be shown as a part of your answer.

3. The following information of Anay Company Ltd. for the year ended on 31-12-2012, were taken from its Annual Report : **14**

(1) Current Ratio – 3 : 1

(2) Acid Test Ratio – 1 : 5 : 1

(3) Quick Assets – ₹ 30,000

(4) Stock Turnover Ratio con the basis of cost of goods sold) – 10 times

(5) Fixed Assets to shareholders fund – 0.875 : 1

(6) Operating Ratio – 90%

(7) Number of Equity Shares of ₹ 10 each – 25,000

(8) Earning per share – ₹ 2

(9) Gross profit ratio – 20%

(10) Creditors velocity – 20 days

(11) Debtors Ratio – 12 days

(12) Percentage of earnings on equity share capital during the year –25%.

Closing stock is less than opening stock by ₹ 6,000. There are no prepaid expenses, long term liabilities and intangible assets.

Prepare Profit & Loss Account & Balance Sheet from the above information.

Assume 360 working days in a year.

OR

3. (A) From the following data, Calculate : **8**

(1) Total overhead variance.

(2) Overhead Budget (expenditure) variance.

(3) Overhead Volume Variance.

(4) Overhead Capacity Variance.

(5) Overhead Efficiency Variance.

(6) Overhead Calender Variance.

	Budget	**Actual**
Output (Units)	30,000	34,000
Machine Hours	60,000	70,000
Working Days	25	26
Fixed Overhead (₹)	1,20,000	1,24,000
Variable Overhead (₹)	1,20,000	1,56,000

(B) What do you understand by Financial Statement Analysis ? Explain the benefits of Financial Statement Analysis. **6**

4. A manufacturer is thinking whether he should drop one item from his product line and replace it with another. Below are given his present cost and output data. **14**

Product	**Selling Price (₹)**	**Variable cost per unit (₹)**	**Percentage share in total sales**
A	80	60	20%
B	100	70	50%
C	160	100	30%

Total fixed cost per annum ₹ 50,000

Total sales in last year ₹ 2,00,000

The change under consideration is for dropping the product A in preference to another product M. In the event of this change being made, the manufacturer forecasts the following cost and output data.

Product	**Selling Price (₹)**	**Variable cost per unit (₹)**	**Percentage share in total sales**
M	120	60	15%
B	100	70	45%
C	160	100	40%

Total fixed cost per annum ₹ 50,000

Total sales in this year ₹ 2,00,000

Should the proposal be accepted ? Comment.

OR

4. (A) The following particulars are available of a business unit : **7**

Month	**Sales (₹)**	**Profit (₹)**
January, 2013	2,00,000	20,000
February, 2013	2,40,000	28,000

Workout the following answers from the above details :

(1) Profit – volume Ratio.

(2) Fixed costs.

(3) Break Even Point for sales.

(4) Margin of sales in February, 2013.

(5) Figures of profit when sales are of ₹ 90,000 and ₹ 40,000.

(6) Figures of sales to earn profit of ₹ 20,000.

You may assume that the cost structure and selling price have remained constant during the above period.

(B) What is Uniform Costing ? Discuss various advantages & disadvantages of uniform costing. **7**

5. Attempt any **two** : **14**

(A) From the following particulars of Gurudev Ltd., Prepare :

(1) Production Budget for the year 2012-13

(2) Material Requirement Budget

(3) Material Purchase Budget

Product	**Sales as per Sales budget**	**Estimated Stock**	
		1-4-2012	**31-3-2013**
	(Units)	**(Units)**	**(Units)**
A	12,50,000	30,000	40,000
B	8,20,000	44,000	1,20,000
C	15,00,000	1,20,000	60,000

The consumption for materials per 20,000 units is as follows : Raw materials X, Y & Z are used in all three products.

Raw Materials	**A (Kg)**	**B (Kg)**	**C (Kg)**
X	10,000	8,000	20,000
Y	12,000	10,000	8,000
Z	14,000	2,000	4,000

The price of Raw material X is ₹ 1.20 per kg, of Y ₹ 1.00 per kg and of Z ₹ 0.80 per kg.

Material stocks are as follows :

Raw Materials	**Estimated Stock (Kg)**	
	1-4-2012	**31-3-2013**
X	60,000	56,000
Y	50,000	60,000
Z	64,000	68,000

(B) Prajakta Company Ltd. is considering a proposal of production of a product. The necessary equipment to manufacture the product would cost ₹ 1,00,000 and would last for 5 years. The tax relevant rate of Depreciation is 20% on written-down value method. There is no other asset in this block. The expected salvage value is ₹ 10,000. The product can be sold at ₹ 4 each. Regardless of the level of production, the manufacturer will incur cash cost of ₹ 25,000 each year if the project is undertaken. The variable costs are estimated at ₹ 2 per unit. The manufacturer estimates it will sell about 75000 units per annum. The tax rate is 35% should the proposal of purchase of equipment be accepted.

The cost of capital is 20%. Additional working capital requirement is ₹ 50,000.

(C) What is Auditing ? Explain Scope of Auditing in detail.