

Seat No. : \_\_\_\_\_

**AD-130**

**April-2016**

**T.Y. MBA Integrated**

**Cost and Management Accounting**

**Time : 3 Hours]**

**[Max. Marks : 100**

1. Answer the following questions :

- (1) 'Cost Accounting is a system of foresight and not a post-mortem examination; it runs losses into profits, speeds up activities and eliminates wastes.' Discuss this statement. **10**
- (2) What do you mean by Joint Costs ? Discuss the methods used for apportioning the joint costs in case of joint products with their merits and demerits. **10**

**OR**

- (a) Following details is related to the work done in Process – 1 of ABC Ltd. during the month of March 2014 : **15**

	₹
Opening work-in-progress (1000 units)	
Materials	40,000
Labour	7,500
Overheads	22,500
Materials introduced in Process – 1 (19,000 units)	7,40,000
Direct labour	1,79,500
Overheads	5,38,500
Units scrapped : 1500 units	
Degree of completion :	
Materials	100%
Labour and overheads	80%
Closing work-in-progress : 1000 units	
Degree of completion :	
Materials	100%
Labour and overheads	80%
Units finished and transferred to Process – 2	17,500
Normal loss : 5% of total input	
Scrapped units fetch ₹ 10 per unit.	

Prepare process – 1 a/c along with all other necessary accounts and statements.

- (b) What is meant by Job costing ? What are important features of it ? **5**

2. Answer any **two** from the following :

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- (a) Distinguish between Cost Accounting and Management Accounting.
- (b) What is meant by Activity Based Costing ? Discuss merits, demerits and applicability of ABC.
- (c) Using the information given below, calculate the Net Income for the months of October, November and December and the value of finished goods on hand at the end of period using Marginal Costing and Absorption Costing :

	<b>October (Units)</b>	<b>November (Units)</b>	<b>December (Units)</b>
Opening Stock	–	–	3,000
Units Produced	17,500	21,000	19,000
Units Sold	17,500	18,000	21,000
Closing Stock	–	3,000	1,000

Additional Information :

- (1) Selling Price ₹ 20 per unit
- (2) Normal Capacity 20,000 units per month
- (3) Variable production costs ₹ 6 per unit
- (4) Fixed factory overhead ₹ 25,000 per month
- (5) Fixed selling and administration expenses ₹ 5,000 per month

3. (a) NI Ltd. operated at normal capacity during the current year producing 50,000 units of its single product. Sales totalled 50,000 units at an average price of ₹ 20 per unit. Variable manufacturing cost were ₹ 8 per unit and variable marketing cost were ₹ 4 per unit sold. Fixed cost were incurred uniformly throughout the year and amounted to ₹ 1,88,000 for manufacturing and ₹ 64,000 for marketing. There was no year end work in progress inventory.

Required :

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- (1) Calculate the company's break even point in sales rupees for the current year.
- (2) Calculate the number of units required to be sold in the current year to earn an after tax profit of ₹ 90,000, if tax rate is 50%.
- (3) Company's variable manufacturing costs are expected to increase by 10% in the coming year. Calculate break even point in sales rupees.
- (4) Find our additional number of units to be sold to earn same profit as earlier in case fixed manufacturing costs increase by 50%.

(b) A company produces three products. The cost data are as under :

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		A	B	C
Direct materials		₹ 64	₹ 152	₹ 117
Direct labour				
Department	Rate per hour	Hours	Hours	Hours
	₹			
1	5	18	10	20
2	6	5	4	7
3	4	10	5	20
Variable overheads		₹ 16	₹ 9	₹ 21

Fixed overheads ₹ 4,00,000 p.a.

The budget was prepared at a time when the market was sluggish. The budgeted quantities and the selling price are as under :

Product	Budgeted quantities	Selling price (₹) / Unit
A	9750	270
B	7800	280
C	7800	400

Later the market improved and the sales quantities could be increased by 20% for product A and 25% each for product B and C. The sales manager conformed that the increased quantities could be achieved at the prices originally budgeted. The production manager stated that the output cannot be increased beyond the budgeted level due to limitation of direct labour hours in department 2.

Required :

- (1) Present a statement of budgeted profitability.
- (2) Set optimal product mix and calculate the optimal profit.

4. (a) The direct labour hour requirements of three of the products manufactured in a factory, each involving more than one labour operation, are estimated as follows : **15**  
Direct labour hours per unit (in minutes)

Operation	Products		
	1	2	3
1	18	42	30
2	–	12	24
3	9	6	–

The factory works 8 hours per day, 6 days in a week. The budget quarter is taken as 13 weeks and during a quarter, lost hours due to leave and other causes are estimated to be 124 hours.

The budgeted hourly rates for the workers in the operation 1, 2 and 3 are ₹ 20, ₹ 25 and ₹ 30 respectively.

The budgeted sales of the products during the quarter are :

Products	Units
1	9000
2	15000
3	12000

There is a carryover of 5000 units of product 2 and 4000 units of product 3 and it is proposed to build up a stock at the end of the budget quarter as follows :

Products	Units
1	1000
3	2000

Prepare a man-power budget for the quarter showing for each operating

- (i) Direct labour hours, (ii) Direct labour cost, (iii) The number of workers  
 (b) Explain cost control and cost reduction with example. 5

**OR**

- (a) Explain in detail flexible budgeting and zero based budgeting. 10  
 (b) Explain advantages and limitations of budgetary control. 10

5. (a) The standard material input required for 1,000 kgs. of a product are given below : 10

Material	Quantity	Rate per kg.
	Kg.	₹
P	450	20
Q	400	40
R	250	60
	<u>1100</u>	
Standard loss	<u>100</u>	
Standard output	1000	

Actual production in a period was 20,000 kg. of output for which the actual quantities of material used and prices paid thereof were as under :

Material	Quantity	Rate per kg.
	Kg.	₹
P	10,000	19
Q	8,500	42
R	4,500	65

Calculate all possible material variances.

- (b) Discuss the use of costing in pricing decision in detail with examples. 10

**OR**

- Give arguments in favour and in oppose of standard costing. 10