

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

# AJ-108

April-2025

Int. M.B.A., Sem.-VI

## Cost & Management Accounting

Time : 2:30 Hours]

[Max. Marks : 70

1. ABC Ltd. manufactures two types of pens P and Q. The following information is provided for the year ending 31<sup>st</sup> March, 2024. 14

	Pen P	Pen Q
Sales in units	36,000	1,00,000
Production in units	40,000	1,20,000
Selling price per unit	₹ 8.40 per pen	₹ 6 per pen
Selling cost	₹ 0.30 per pen	₹ 0.30 per pen

Other information :

- (1) Direct Material is ₹ 2,40,000; Direct Material in Pen P cost twice as much direct material in Pen Q.
- (2) Direct labour ₹ 1,34,400; Direct labour in Pen Q were 60% of those for Pen P.
- (3) Production overheads ₹ 57,600; are at a same rate in both types of Pens.
- (4) Administration overheads for each type was 200% of direct labour.

Prepare a statement showing cost per unit, total cost, and profit for two pens separately.

OR

1. A product is completed in three consecutive processes. During a particular month the input to process 1 of the basic raw material was 5,000 units at ₹ 2 per unit. Other information for the month was as follows :

14

Particulars	Process – 1	Process – 2	Process – 3
Output (units)	4,700	4,300	4,050
Normal loss as % of input	5	10	5
Scrap value per unit (₹)	1	5	6
Direct wages (₹)	3,000	5,000	8,000
Direct expenses (₹)	9,750	9,910	15,560

Total overheads are ₹ 32,000 which is chargeable as percentage of direct wages. There was no opening or closing work-in-process stock. Prepare three process accounts, abnormal loss and gain account where applicable.

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

14

- (A) ‘Activity based costing system has been developed because traditional product costing has certain limitations’. Discuss.
- (B) What do you mean by absorption costing ? Distinguish between marginal costing and absorption costing.
- (C) Define Management Accounting. Discuss usefulness of management accounting in decision making.

3. (A) Answer the following questions :

8

Sales ₹ 1,00,000, Cost (2/3<sup>rd</sup> Variable) ₹ 84,000

- (1) Compute P/V Ratio, Break Even point, Margin of safety and profit at existing level ?
- (2) What will be the effect on the same, if there is 20% increase in sales volume, 10% decrease in selling price, 10% decrease in variable cost and 10% increase in fixed cost ?

3. (B) Explain the following : 6
- (i) Opportunity cost
  - (ii) Relevant cost
  - (iii) Sunk cost
  - (iv) Marginal cost
  - (v) Explicit cost
  - (vi) Period cost

**OR**

3. (A) Define Break Even point. What are the assumptions of Break-Even Analysis ?  
Also discuss its limitations. 8
3. (B) XYZ Ltd. gives the following information : 6

**Year 2024**

	<b>First half</b>	<b>Second half</b>
Sales	16,20,000	20,52,000
Profit	43,200	1,29,600

From the above, you are required to compute the following assuming that the fixed cost remains the same in both the periods.

- (i) P/V ratio
  - (ii) Fixed cost
  - (iii) The amount of profit or loss when sales are ₹ 12,96,000
  - (iv) The amount of sales required to earn profit of ₹ 2,16,000
4. I Ltd. manufactures a simple product, the standard mix of which is : 14
- Material A    60% at ₹ 20 per kg.  
Material B    40% at ₹ 10 per kg.
- Normal loss in production is 20% of input. Due to shortage of Material A, the standard mix was changed. Actual results for March, 2024 were as follows :
- Material A    1050 kg. at total cost of ₹ 22,575  
Material B    950 kg. at total cost of ₹ 8,550  
Output        1680 kg.
- Calculate all possible material variances.

**OR**

4. The following details are available from the records of XYZ Ltd. engaged in manufacturing article 'A' for a particular month. 14

The standard labour hours for one article of 'A' and rates per hour were as follows :

	Hours	Rate per hour
Skilled labour	10	₹ 30
Semi-skilled labour	8	₹ 15
Unskilled labour	16	₹ 10

The actual production was 1000 articles for which the actual hours worked and rates are given below :

	Hours	Rate per hour
Skilled labour	9000	₹ 34
Semi-skilled labour	8400	₹ 15
Unskilled labour	20000	₹ 9

From the above information calculate all possible labour variances.

5. A company manufactures a single product which is in great demand. The manager submitted the following information and requests you to prepare a flexible budget for 75% and 90% capacity. 14

Information at various levels of production :

Particulars	Capacity	
	40%	60%
Variable expenses :		
Materials	24,000	36,000
Wages	14,400	21,600
Overheads	8,400	12,600
Semi-variable expenses :		
Salaries	31,200	34,800
Production expenses	42,000	48,000
Fixed expenses :		
Depreciation	8,000	8,000
Advertisement	1,000	1,000

The production capacity at 100% utilisation is 1,200 units.

**OR**

5. (A) Explain meaning and difference between cost control and cost reduction. 7
5. (B) Define budget. Give the advantages and limitations of budgetary control system. 7