

AE-145**April-2018****T.Y. M.B.A. Integrated, Sem.-VI
Cost and Management Accounting****Time : 3 Hours]****[Max. Marks : 100**

1. (A) “Cost can be classified in many ways as per the requirement of management.”
Discuss the statement. **10**

- (B) Three products X, Y and Z are obtained during a process of production in a factory. The joint cost of these three products is ₹ 1,60,000. **10**

The following information is available:

Product	Units produced	Sales value (after further processing) per unit ₹	Total cost of separate process ₹
X	6,000	50	1,00,000
Y	4,000	25	25,000
Z	5,000	40	75,000

- (1) Apportion the joint costs over three products on the basis of sales value minus further processing cost.
- (2) Apportion the joint cost on the basis of weighted average method allotting weights of 4 : 4 : 2 to products X, Y and Z respectively.
- (3) Find out total profit of each product in above two methods.

OR

The information regarding production cost of factory during the year 2017 of Suman Manufacturing Ltd. is as follows :

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	₹
(1) Opening stock of work-in-process : 900 units	11,250
Degree of completion	
Materials	100%
Labour	60%
Overheads	60%
(2) Closing stock of work-in-process : 1,000 units	
Degree of completion :	
Direct Materials	100%
Direct Labour	80%
Overheads	80%
(3) Units scrapped : 1,200 units	
Degree of completion	
Materials	100%
Labour	70%
Overheads	70%
(4) Transferred from Process I :	
9,100 units	68,250
Direct labour	30,750
Overheads	20,500
(5) Transferred to Process III : 7,800 units	

- (6) Normal wastage : 10% of total input (including opening stock), Scrap value ₹ 7.50 per unit.

From the above information, using FIFO method :

Prepare :

- (a) Statement of Equivalent Production
- (b) Statement of Cost
- (c) Statement of Evaluation
- (d) Process II Account

2. XYZ Ltd. has a production capacity of 4,00,000 units per year. Normal capacity utilization is 90%. Standard marginal production costs are ₹ 11 per unit. The fixed costs are ₹ 7,20,000 per year. Marginal selling costs are ₹ 3 per unit and fixed selling costs are ₹ 5,40,000 per year. The unit selling price is ₹ 20.

In the year just ended on 30th June 2017, the production was 3,20,000 units and Sales were 3,00,000 units. The closing inventory on 30-06-2017 was 40,000 units. The actual marginal production costs for the year were ₹ 70,000 higher than the standard. **20**

Required:

- (1) Calculate the profit for the year:
 - (a) by the absorption costing method and
 - (b) by the marginal costing method.
- (2) Explain the difference in profits.

OR

- (A) What is Management Accounting ? What are the advantages and limitations of Management Accounting ? **10**

- (B) Amar Ltd. manufactures two products: A and B. Both products are produced with the help of same machinery and similar processes. The detailed information about both are as follows :

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Particulars	A	B
Units produced	15,000	1,50,000
Machine hours	3	3
Direct labour hour	5	5
No. of purchase orders	75	150
No. of set-ups	50	150
Material cost per unit	10	10
Labour hour rate per unit	20	20

The costs of various activities are as follows :

Related to volume	16,50,000
Related to purchases	18,00,000
Related to setting-up	<u>31,50,000</u>
	<u>66,00,000</u>

Overheads are based on direct labour hours.

Prepare cost statement showing total cost and per unit cost under traditional method and under ABC method.

3. Attempt any **two** (10 marks each)

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- (A) Explain assumptions and utility of Break Even Point analysis.
- (B) Falak Ltd. is considering hiring a machine at an annual charge of ₹ 48,000 to increase the output of a product from its present level of 12,000 units. It is anticipated that, with the introduction of new machine, the variable cost per unit will be reduced by ₹ 2 due to savings in labour cost. The new machine will not affect fixed cost in total, except for the hiring charges. The selling price of the product is ₹ 24 per unit. The present cost structure of product is variable cost ₹ 18 per unit and fixed cost ₹ 2 per unit.

You are required to calculate the number of extra units, which must be produced and sold to justify hiring the machine i.e. the cost indifference point for new machine.

- (C) Mihir Ltd. manufactures three types of soft toys: Teddy bear, Doll and Doremon. The following information is available for the year ending 31st March, 2018.

Product	Selling price	Contribution	Units sold
Teddy bear	100	10%	50%
Doll	75	20%	40%
Doremon	50	40%	10%

Total fixed costs are ₹ 65,000.

From the above information, find out break even point in units.

If the sale mix for above toys is changed to 30%, 50%, and 20% and if there is no change in any other item, what will be its effect on break-even point ?

4. (A) What is Cost control ? Explain various methods of cost control in detail.

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OR

Prepare cash budget for three months April to June, 2018 for Aman Ltd.

- (1) Cash and bank balance is ₹ 1,00,000 on 01-04-2018.

- (2) Estimates of sales :

Month	₹
February	5,00,000
March	6,00,000
April	8,00,000
May	10,00,000
June	9,00,000

- (3) Company maintains 25% profit on cost of sales.

- (4) The details of cost of sales of February month are as follows:

	₹
Materials	1,60,000
Wages	1,20,000
Variable overheads	1,20,000

- (5) Fixed overhead expenses are ₹ 25,000 per month, which includes ₹ 5,000 for depreciation. Fixed overhead expenses are paid in the same month.
- (6) 2% commission on total sales is to be paid in the third month of sales.
- (7) 20% are cash sales. Of credit sales, 50% in the first month after sale, 40% in the second month after sale and remaining sale proceeds are collected in the third month after sale.
- (8) Time lag : Wages $\frac{1}{4}$ month
Variable overheads $\frac{1}{2}$ month.
- (9) There will be income of interest on investment ₹ 50,000 in the month of May.
- (10) Payments:
Income tax ₹ 30,000 in the month of April.
Bonus ₹ 28,000 in the month of May.
- (11) Purchases are made one month advance. Purchase return (in the same month of purchase) is estimated as follows :

	₹
February	12,000
March	6,000
April	20,000
May	8,000

The payment of purchases are made 50% in the first month after purchases and remaining in the second month after purchases.

- (B) What is cost reduction ? What are the characteristics of cost reduction ? How cost control is different from cost reduction ? **8**

OR

What is ZBB ? How ZBB is different than Traditional Budgeting ?

5. (A) The budgeted fixed overheads are ₹ 90,000 and budgeted hours 10,000. During the period, actual fixed overheads amounted to ₹ 92,000 and the hours utilised are 11,000. The actual output amounted to 2,100 units and the standard time to manufacture 1 unit is 5 hours.

Calculate fixed overheads variances. **10**

- (B) Explain the use of costing in pricing decision in detail with example. **10**
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