Seat No. : _______________

AC-160

April-2019

T.Y. M.B.A. Integrated, Sem.-VI

Cost and Management Accounting

Time : 2:30 Hours] **[Max. Marks : 70**

1. A certain product passes through three processes before it is transferred to Finished stock. The following information is obtained for the month of December : **14**

Particulars	Process-I	Process-II	Process-III	Finished Stock
Opening stock	2,000	12,000	10,000	25,000
Direct Material	13,000	20,000	40,000	–
Direct Wages	10,000	10,500	50,000	–
Production Overheads	10,000	25,000	25,000	–
Closing Stock	5,000	6,000	32,000	33,000
Profit % on transfer price to the next process	20%	25%	10%	
Inter process profits in opening stock	–	2,000	2,800	10,000

Stocks in process are valued at prime cost and finished stock has been valued at the price at which it was received from process - III. Sales during the period were ₹ 800,000. Prepare process accounts showing profit element at each stage.

OR

From the records of a manufacturing company, the following budgeted details are available : **14**

Direct Material		1,99,000
Direct wages :		
Machine shop	63,000	
Assembly shop	48,000	1,11,000
Works Overheads :		
Machine Shop	88,200	
Assembly Shop	51,800	140,000
Administrative Overheads		90,000
Selling Overheads		81,000
Distribution Overheads		62,100

Assuming that the company follows absorption method of costing, you are required to :

(1) Prepare a Schedule of Overheads recovery rates from the figures available stating the bases of each.

(2) Work out a cost estimate for the following job based on overhead so computed

Direct Material :	
X	25 kgs @ ₹ 16. 8 per Kg
Y	15 Kgs @ ₹ 20 per Kg
Direct Labour :	
Machine Shop	30 hours
Assembly shop	42 hours

2. Answer the following :

(1) Distinguish between Marginal Costing and Absorption Costing. **7**

(2) Distinguish between Cost accounting and Management Accounting. **7**

OR

(1) Explain the objectives of Management Accounting.

(2) Discuss the advantages and limitations of Management Accounting.

3. Answer any **two** from the following : **14**

(A) (1) Discuss CVP Analysis.

(2) What do you understand by Break Even chart? Explain its assumptions and uses.

(B) Aarti Ltd. maintains a margin of safety of 37.5% with overall contribution to sales ratio of 40%. Its fixed cost amounts to ₹ 10,00,000

Calculate :

(1) Breakeven sales

(2) Total Sales

(3) Total Variable cost

(4) Current profits

(5) New Margin of Safety if sales volume is increased by 15%

(6) What will be the profit when sales is ₹ 15,00,000 ?

(7) What will be the sales, when desired profit is ₹ 250,000 ?

(C) Black Ltd. which produces two products using the same raw material and production facilities, provides the following information:

Particulars	**Product A**	**Product B**
Selling price per unit	100	80
Material @ ₹ 2 per kg	20	10
Labour @ ₹ 3 per hour	15	30
Variable Overheads @ ₹ 4 per machine hour	40	16
Total Fixed Overheads: 600,000		

Comment the profitability of each product when:

(1) Sales Quantity is Limited

(2) Sales Value is limited

(3) Raw material is in short supply

(4) Labour hours are limited

(5) Production capacity (in terms of Machine Hours) is limited

(6) There is a heavy demand condition, which product is profitable ?

(7) There is a low demand conditions, what is break-even point ?

4. Prepare Cash Budget of Tiger Ltd. for April to June 2018 from the following information : **14**

(1) Estimated Sales, Purchases and Expenses are as follows :

Particulars	**Jan**	**Feb**	**March**	**April**	**May**	**June**
Sales	200,000	400,000	600,000	800,000	10,00,000	12,00,000
Purchase	152,000	306,000	460,000	608,000	756,000	9,04,000
Wages	24,000	30,000	36,000	48,000	60,000	72,000
Admin Expenses	30,000	40,000	50,000	60,000	70,000	80,000
Sellings & distribution expenses	30,000	50,000	70,000	90,000	110,000	100,000

(2) Cash sales are 20% of total sales

(3) 50% of Credit Sales are collected within one month and the balance in two months.

(4) Cash purchases are 25% of total Purchases

50% of Credit Purchases are paid within one month and the balance in two months.

(5) No stock remains at the end of a month.

(6) Commission on Sales-10%

(7) The time lag in the payment of wages is one third of the month and the admin expenses one month.

(8) Admin expenses for each month includes depreciation amounting to ₹ 10,000

(9) 12% Debentures of ₹ 100 each, ₹ 200,000 were issued on 1st Jan, half yearly interest due on 30th June and 31st December.

(10) 36000 equity shares of ₹ 10 each were issued on 1st May at 5% premium.

(11) Cash balance at the end of March ₹ 400,000.

OR

Answer the following : [any **two**] **14**

(1) Discuss various types of pricing decisions.

(2) What is cost control and cost reduction ?

(3) Discuss various types of budgets.

5. AK Chemicals Ltd. manufactures KA by mixing three raw materials. For each batch of 100 kgs of KA 125 kg of raw material are used. In March 60 batches are prepared to produce an output of 5600 kg of KA. The standard and actual particulars for June are as follows : **14**

Particulars	**Standard**		**Actual**		**Total**
Raw materials	**Mix %**	**Price per kg.**	**Mix %**	**Price per kg.**	**Quantity of raw materials**
A	50	20	60	21	5000
B	30	10	20	8	2000
C	20	5	20	6	1200

Calculate all variances.

OR

The details regarding the composition and the weekly wage rates of labour force engaged on a job scheduled to be completed in 30 weeks are as follows:

Particulars	**Standard**		**Actual**	
	Number of workers	**Weekly wage rate (₹)**	**Number of workers**	**Weekly wage rate (₹)**
Skilled	75	60	70	70
Semiskilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks. Calculate all labour variances.