

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA (PART TIME)– SEMESTER III– EXAMINATION SUMMER – 2019**Subject Code: 3539905****Date: 17/05/2019****Subject Name: COST & MANAGEMENT ACCOUNTING****Time: 02:30 PM To 05:30 PM****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Marks**14****Q.1** Define the following terms. Each term carry two marks:-

- (a) Historical Cost
- (b) Financial Accounting
- (c) Unit Costing
- (d) Cost Centers
- (e) Zero Base Budget
- (f) Budgeting
- (g) Variances

Q.2 (a) What do you mean by Management Accounting? Explain the scope of management accounting. **07****(b)** Define Activity based costing and its objectives. **07****OR****(b)** Explain the techniques of the strategic management accounting in brief. **07****Q.3 (a)** Define budget and budgetary control. State the advantages and limitations of budgetary control in brief. **07****(b)** What do you mean by Marginal Costing? Define characteristics of marginal costing. **07****OR****Q.3 (a)** A medical product manufactured by Thomas Pharma, passes through three distinct processes to completion. During a week 10000 grams of materials valued at Rs. 50000 were introduced and following expenses were incurred:- **07**

	Process A	Process B	Process C
Machine Expenses	5000	4000	3000
Labour	20000	30000	25000
Direct Expenses	11000	16400	4600
Normal Wastage (On input)	5%	10%	5%
Scrap value per gram (Rs.)	1	2	2.5
Actual Output (Grams)	9000	8000	7700

(b) Following particulars have been extracted for the year 2016 from a Factory. **07**

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Cost of Materials	600000	Selling Charge	224000
wages	500000	Distributions overheads	140000
Factory overhead	300000	Profit	420000
Administration charges	336000		

A work order has to be executed in 2017, and estimated expenses are:-
 Material Rs.8000, and Wages Rs. 5000.

Assuming that in 2017, the factory overheads will go up by 20%, distribution overheads will come down by 10% and selling and administration charges will go up by 15%. At what price the product to be sold, so as to earn same rate of profit on selling price as in 2016? Factory overheads are charged on the basic wages and administration, selling and distribution overheads are on factory cost .

Calculate the estimated cost of this work order

Q.4
CASE STUDY:
14

A company produces three types of products X, Y and Z. The cost per unit of these three products is given below:-

Particulars	Product X	Product Y	Product Z
Direct Material	10	8	9
Direct labour	6	7	6
Variable expenses	4	5	3
Fixed expenses	2	3	2
Total Cost	23	23	20
Profit	9	7	6
Selling Price	32	30	26
Number of units Produced	20000	10000	16000

Production arrangements are such that if one product is given up, the production of the others can be raised by 50%. The Directors propose that Product Z should be given up because the contribution from the product is the lowest.

Do the analysis of data and give your comment that the proposal of Directors of the company should be accepted or is there another better option available for the company?

OR

Q.4 (a) A Company produces a single product and sell it at Rs. 200 each. The variable cost of the product is Rs. 120 per unit and fixed cost for the year is Rs. 96000/-. Calculate:-

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- P/V Ratio
- Sales at Break- even point
- Sales units required to earn a target net profit of Rs. 120000
- Sales units required to earn a net profit of Rs. 100000 after to income tax, assuming tax rate to be 50%
- Profit at sales of Rs. 700000.

(b) Describe the various classifications of costs in brief.

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Q.5

CASE STUDY:

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The Director of Good luck Ltd. are considering the result of the profits and loss statement for the year that ended on 31 December 2009. The extract is as follows: 14

Particulars	Rs.	Rs.
Sales		1500000
Direct material	450000	
Direct wages	300000	
Variable overheads	120000	
Fixed overheads	440000	1310000
profits		190000

The budgeted capacity of the company is RS. 2000000, but the key factors is sales demand. The sales manager is proposing that in order to utilize the existing capacity, the selling price of the only product manufactured by the company should be reduced by 5%

You are required to help the Board of Director to accept the proposed reduction in the selling price by prepare a forecast statement of profit and costs expected during the year 2010.

The following additional information is provided:-

1. Sales forecast Rs. 19,00,000.
2. Direct material prices are expected to increase by 2%
3. Direct wages are expected to increase by 5%
4. Variable overhead costs are expected to increase by 5% per unit.
5. Fixed overhead costs are expected to increase by Rs.20000.

OR

Q.5 (a) From the following information, calculate various material variances:-

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Material	Standards	Actuals
A	100 Kg @ Rs. 20 per Kg	215 Kg @ Rs. 18 per Kg
B	200 Kg @ Rs. 17 per Kg.	385 Kg @ Rs. 20 per Kg
	300 Kg	600 Kg.
Loss	30 Kg	70 Kg
Output	270 Kg	530 Kg

(b) Write a detail note on Kaizen costing.

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