Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 2 – EXAMINATION – SUMMER 2019

Subject Code: 3529202 Date:10/05/2019

Subject Name: Cost & Management Accounting (CMA)

Time: 10:30 am to 1:30 pm Total Marks: 70

Instructions:

1. Attempt all questions.

2. Make suitable assumptions wherever necessary.

3. Figures to the right indicate full marks.

Q1. Define the following terms- (2*7=14)

a) Management accounting
b) Expire cost
c) Absorption costing
d) Marginal costing
e) Variance
f) Rolling budget
g) Equivalent production

Q2. (A) Differentiate between cost and management accounting? (07)

Q2. (B) what do you mean by cost ? Explain different types of cost (07)

OR

Q2. (B) what is target costing? How it helps an organization to control? (07)

Q3.(**A).** What are the different methods of depreciation and how it is applicable in Cost and Management Accounting? (07)

Q3. (B) Differentiate between marginal costing and absorption costing. (07)

OR

Q3 (A) what is Kaizen costing? Explain with relevant example. (07)

Q3.(B) what is life cycle costing? Explain with some example. (07)

Q4. (A) What is strategic management accounting? Explain it with relevance of some real life case. (07)

Q4. (B) What is budgeting? How a budget is useful in a business organisation in different ways?

OR

Q4. (A) What is master budgeting? give Performa with hypothetical example. (07)

Q4. (B) How pricing decision helps an organization to work better? Explain aditya birla group as case study of decision making. (07)

Q5. Priti Company produces industrial solvents. Two liquid solutions, Sol-A and Sol-B, are mixed and heated to produce a solvent that is sold to companies for use in a process that removes grease and oil from engines scheduled for recycling. After the liquid solvent is produced by mixing and heating, it is placed in 50-gallon drums and moved to a warehouse. The compound is produced in batches and has the following standards:

DIRECR MATERIAL	STANDARD MIX (GALLONS)	STANDARD UNIT PRICE	STANDARD COST
SOL – A	16000	Rs. 1.50 per gallon	Rs. 24000
SOL – B	4000	7.50	30000
TOTAL	20000		Rs. 54000
YIELD	18000		

During March, the following actual production information was provided:

DIRECR MATERIAL	ACTUAL MIX (GALLONS)
SOL – A	140000
SOL – B	60000
TOTAL	200000
YIELD	162000

A. Compute the direct materials mix and yield variances.
B. Compute the total direct materials usage variance for Sol-A and Sol-B. Show that the total direct materials usage variance is equal to the sum of the direct materials mix and yield variance. (14)

OR

Q5. Sawasthi Ltd, a manufacturer of corporate jets, has just received an offer from a supplier to provide 500 units of a component used in its main product. The component is a wheel assembly that is currently produced internally. The supplier has offered to sell the wheel assembly for Rs 600 per unit. Sawasthi is currently using a functional, unit-based costing system that assigns

overhead to jobs on the basis of direct labour-hours. The estimated function-based full cost of producing the wheel assembly is as follows:

Direct materials	Rs 370
Direct labour	100
Variable overhead	50
Fixed overhead	200

Prior to making a decision, the company's CEO commissioned a special study to see whether there would be any decrease in the fixed overhead costs. The results of the study revealed the following:

- 3 setups – Rs 4200 each (The setups would be avoided, and total spending could be reduced by Rs 4200 per setup.)
- One less inspector needed Rs. 30000
- One less material handler needed, Rs 27000.

Engineering work: 615 hours, Rs20/hr. (Although the work decrease by 615 hours, the engineer assigned to the wheel assembly line also spends time on other products.)

A. Ignore the special study, and determine whether the wheel assembly should be produced internally or purchased from the supplier.
B. Now, using the special study data, repeat the analysis.
C. Discuss the qualitative factors that would affect the decision, including strategic implications.
D. After reviewing the special study, the controller made the following remark: 'This study ignores the additional activity demands that the purchasing would cause. For example, although the demand for inspecting the part on the production floor decrease, will we not have a need to inspect the incoming parts in the receiving area? Will we actually save any inspection costs?' Is the controller right? Would this problem be avoided if Sawasthi had an activity-based costing system in place?

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