Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 2 – EXAMINATION – WINTER 2018

Subject Code: 3529202 **Date: 24/12/2018**

Subject Name: Cost & Management Accounting (CMA)

Time: 02:30PM TO 05:30PM **Total Marks: 70**

Instructions:

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

Q.1 Explain the following terms in brief: **14**

(a) Abnormal loss & abnormal gain
(b) Profit centre
(c) Cost Ascertainment
(d) Kaizen costing
(e) Break even point
(f) Incremental cost
(g) Period cost

Q.2 **(a)** Explain the points of distinction between cost accounting and management accounting. **07**

(b) It is said, "Cost accounting is a system of foresight and not postmortem examination; it turns losses in to profits, speeds up activities and eliminates wastes." Discuss this statement in detail. **07**

OR

(b) Electrical Ltd is manufacturing coolers and the following details are furnished for the year ended 31 December 2017: **07**

Work-in-process 1 January 2017:	
At prime cost	51,000
Manufacturing expenses	25,000
Work-in-process 31 December 2017:	
At prime cost	45,000
Manufacturing expenses	20,000
Stock of raw materials, 1 January 2017	2,05,000
Purchases of raw materials	4,97,000
Direct labour	1,71,000
Manufacturing expenses	84,000
Stock of raw materials on 31 December 2017	2,04,000

On the basis of the above data, prepare a statement showing the cost of production.

Q.3 **(a)** What is Activity-based costing? Distinguish between ABC and traditional costing system? **07**

(b) A product is obtained after passing it through three processes. The following information is collected for January 2016. **07**

Particulars	Processes		
	I	II	III

Direct materials(Rs.)	5,200	3,960	5,924
Direct wages(Rs.)	4,000	6,000	8,000
Output in the month (units)	950	840	750
Normal loss	5%	10%	15%
Value of scrap per unit (Rs.)	4	8	10

Additional information:
1,000 units, at Rs. 6 each, were introduced in Process I. There was no stock of materials of work-in-progress at the beginning or at the end of the month. Production overhead was Rs. 18,000 for the month. Prepare process accounts indicating normal loss, abnormal loss and abnormal gain.

OR

Q.3 **(a)** "Price setting generally requires a balance between market forces and cost considerations." Explain? **07**

(b) The sales and profit for two years are as below: **07**

Year	Sales(Rs.)	Profit(Rs.)
2016	1,50,000	20,000
2017	1,70,000	25,000

Calculate:
(a) P/V ratio; (b) BEP; (c) Sales required to earn a profit of Rs. 40,000; (d) Margin of safety at a profit of Rs. 1,25,000; (e) Profit made when sales are Rs. 1,00,000; (f) Variable costs of two years.

Q.4 **(a)** Describe the steps in the decision-making process. In which steps does the management accountant play major roles? **07**

(b) A factory is currently running at 50% capacity and produces 5,000 units at a cost of Rs. 90 per unit as per details below: **07**

Materials	Rs. 50
Labour	Rs. 15
Factory overheads	Rs. 15(Rs. 6 fixed)
Administrative overheads	Rs. 10 (Rs. 5 fixed)

The current selling price is Rs. 100/- per unit.
At 60% working, material cost per unit increased by 2% and selling price per unit falls by 2%. Whereas at 80% working, material cost per unit increased by 5% and selling price per unit falls by 5%.
Estimate profits of the factory at 60% and 80% working and give your comments.

OR

Q.4 **(a)** Define Strategic Management Accounting? Explain the techniques of Strategic Management Accounting in brief? **07**

(b) Following are the particulars in respect of a product where two types of materials A and B are used: **07**

Material input	**Standard**		**Actual**	
	Tonnes	**Rate**	**Tonnes**	**Rate**
A	120	10.00	140	09.50
B	80	07.50	60	09.00
	200		**200**	
Less: Loss	20		18	
Net production	**180**		**182**	

You are required to calculate:
(a) Material Price Variance
(b) Material Mix Variance
(c) Material Yield Variance
(d) Material Usage Variance

Q.5 CASE STUDY

TabComp Inc. is a retail distributor for MZB-33 computer hardware and related software and support services. TabComp prepares annual sales forecasts of which the first six months for 2016 are presented below.

Cash sales account for 25% of TabComp's total sales, 30% of the total sales are paid by bank credit card, and the remaining 45% are on open account (TabComp's own charge accounts). The cash and bank credit card sales are received in the month of the sale. Bank credit card sales are subject to a four-percent discount deducted at the time of the daily deposit, The cash receipts for sales on open account are 70% in the month following the sale, 28% in the second month following the sale and the remaining are estimated to be uncollectible.

TabComp Inc. Sales Forecast for Six Months - 2016

	Hardware Sales		Software sales & Support	Total Sales
Months	**Units**	**Rs.**	**Rs.**	**Rs.**
January	130	390000	160000	550000
February	120	360000	140000	500000
March	110	330000	150000	480000
April	90	270000	130000	400000
May	100	300000	125000	425000
June	125	375000	225000	600000
Total	**675**	**2025000**	**930000**	**2955000**

TabComp's month-end inventory requirements for computer hardware units are 30% of the next month's sales. A one-month lead time is required for delivery from the manufacturer; thus orders for computer hardware units are placed on the 25th of each month to assure that they will be in the store by the first day of the month needed. The computer hardware units are purchased under terms of N/45 measured from the time the units are delivered to TabComp. TabComp's purchase price for the computer units is 60% of the selling price.

(a) Calculate the cash that TabComp can expect to collect during April 2016. Be sure to show all of your calculations. **07**

(b) As part of the annual budget process, TabComp prepares a cash budget by month for the entire year. Explain why a company such as TabComp prepares a cash budget by month for the entire year. **07**

OR

Q.5 (a) TabComp is determining the MZB-33 computer hardware units that will be ordered on January 25, 2016. Determine the projected number of computer hardware units that will be ordered. **07**

(b) Calculate the value of the order that TabComp will place for these computer hardware units. Also highlight in which month will TabComp pay for these computer hardware units. **07**

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