Seat No.: ________ Enrolment No.___________

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA – SEMESTER 2 – EXAMINATION – WINTER 2016

Subject Code: 2820001 **Date: 20/10/2016**

Subject Name: Cost and Management Accounting (CMA)

Time: 10.30 am to 01.30 pm **Total Marks: 70**

Instructions:

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

Q. No. Q.1 (a) **06**

1. Cost accounting is an information system developed for:
   - A. Shareholder B. Government
   - C. Management D. Financial Institutions
2. Contribution minus fixed costs is
   - A. Variable cost B. marginal cost
   - C. unit cost D Profit
3. An increase in the variable cost:
   - A. Reduces contribution B. Increase in PV ratio
   - C. Increases margin of safety D. None of the above
4. Another name for direct expenses:
   - A. Period cost B. Prime cost
   - C. Variable cost D. Chargeable cost
5. An input of 2500 kgs. of material introduced into the process and the expected normal loss is 8% and if the actual output from the process is 2150 kgs., the abnormal loss is __________ kgs.
   - A. 200 B. 150
   - C. 250 D. 300
6. BEP Means ______________
   - A. Profit B. Loss
   - C. Profit & Loss D. No Profit & No Loss

Q.1 (b) **04**

1. Define Cost Accounting
2. List down the steps in Costing Procedure
3. Define Normal and Abnormal Costs
4. Draw the chart for BEP

Q.1 (c) Write note on various elements of Direct cost **04**

Q.2 (a) Discuss Benefits and Limitations of Cost Accounting. **07**

(b) The following particular relate to a new machine purchased: **07**

Purchased price of machine	Rs. 400,000
Installation expenses	Rs. 100,000
Rent per quarter	Rs. 15000
General lighting for the total area	Rs. 1000 p.m
Foremen salary	Rs. 30,000 p.a.
Insurance premium for the machine	RS. 3000 p.a.
Estimated repairs for the machines	Rs. 5000 p.a.
Estimated consumable store	Rs. 4000 p.a.

Power – 2 units per hour at Rs. 50 per 100 Units

Estimated life of the machine is 10 years and the estimated value at the end of the 10 year is Rs. 100,000. The machine is expected to run 20000 hours in its life time. The machine occupies 25% of the total area. The foremen devotes 1/6 of his time for the machine. Calculate the machine hour rate for the machine.

OR

(b) The following direct costs were incurred on Job No. 415 of Standard Radio Company. **07**

Materials Rs. 6010

Wages:

Deptt: A – 60 hours @ Rs. 30 per hr
B – 40 hours @ Rs. 20 per hr
C – 20 hours @ Rs. 50 per hr

Overhead for these three departments were estimated as follow:

Variable overheads:

Deptt: A – Rs 15000 for 1500 labour hours
B – Rs. 4000 for 200 labour hours
C – RS. 12000 for 300 labour hours

Fixed overheads:

Estimated at Rs. 40000 for 2000 normal working hours.

You are required to calculate the cost of Job 415 and calculate the price to give profit of 25% on selling price.

Q.3 **(a)** Discuss the various characteristics of Activity Based Costing. **07**

(b) A product passes through three processes A, B, and C. the normal wastages of each process is as follows. **07**

Process	Wastages (%)	Sold for (per unit)
A	3	Rs. 0.25
B	5	Rs. 0.50
C	8	Rs.1

10,000 units were issued to process A in the beginning of October 2015 at a cost of Rs. 1 per unit. The other expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	Rs. 1000	Rs 1500	Rs 500
Labour	Rs 5000	Rs 8000	Rs 6500
Direct Expenses	Rs1050	Rs 1188	Rs 2009
Actual Output	9500 units	9100 units	8100 units

Prepare the process accounts, Abnormal wastages and Abnormal Gain Accounts.

OR

Q.3 **(a)** Describe the important advantages of Standard costing. **07**

(b) From the following data relating to two different vehicles A and B, compute the cost per running mile: **07**

	Vehicle A	Vehicle B
Mileage run (annual)	Rs. 15000	Rs. 6000
Cost of vehicle	Rs. 25000	Rs. 15000
Road License (Annual)	Rs. 750	Rs. 750
Insurance (Annual)	Rs. 700	Rs. 400
Garage rent (Annual)	Rs. 600	Rs. 500
Supervision and Salary	Rs. 1200	Rs. 1200
Driver's wages per hour	Rs. 3	Rs. 3
Cost of Fuel per gallon	Rs. 3	Rs. 3
Mile run per gallon	20 miles	15 miles
Repairs and maintenance per mile	Rs. 1.65	Rs. 2
Tyre allocation per mile	Rs. 0.80	Rs. 0.60
Estimated life of Vehicle	100,000 miles	75000 miles

Charge interest at 5% p.a. on cost of vehicles. The vehicles run 20 miles per hour on an average.

Q.4 **(a)** Differentiate the Process Costing and Job Costing **07**

(b) X, Y and Z are the three joint products in a factory. Their joint cost is Rs. 30,000. Quantities produced are as follows: **07**

X	1000
Y	400
Z	600

On the basis of technical evaluation, points allotted to X, Y and Z products are 3.2%, 5% and 8% respectively. Apportion the joint cost.

OR

Q.4 **(a)** Discuss the various characteristics of marginal costing. **07**

(b) The following information is given: **07**

Sales	Rs. 200,000
Variable	Rs. 120,000
Fixed Cost	Rs. 30,000

Calculate: (A) Break Even Point
(B) New BEP if Variable cost increases by 10%
Show both the results in a single graph.

Q.5 The following information is available from the cost records of Novel & Co. for the month of March. **14**

Material Purchased 20000 units	Rs. 88000
Material consumed	Rs. 19000
Actual wages paid for 4950 hours	Rs. 24750

Units produced 1800 units
Standard rates and pieces are:

1. Direct Material rate is Rs. 4.00 per unit, standard input is 10 numbers for one unit.
2. Direct labour rate is Rs. 4 per hour, standard requirement is 2.5 hours per unit.

You are required to compute all material and labour variances for the month of March.

OR

Q.5 A department of Tek India Company attains sales of Rs. 600000 at 80% of its normal capacity. Its expenses are give below: **14**

Office Salaries	Rs. 90000
General Expenses	2% of sales
Depreciation	Rs.7500
Rent and Rates	Rs.8750
Selling Costs:	
Salaries	8% of Sales
Travelling expenses	2% of sales
Sales office	1% of sales
General Expenses	1% of sales
Distribution Costs:	
Wages	Rs. 15000
Rent	1% of sales
Other Expenses	4% of sales

Draw up flexible Administration, selling & Distribution costs budget, operating at 90%, 100% and 110& of normal capacity.

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