

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER- II • EXAMINATION – SUMMER 2016

Subject Code: 820001
Date: 25/05/2016
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.1 (a) Define the terms: Cost Accounting and Management Accounting. “Management Accounting is an extension of managerial aspects of Cost Accounting”. Discuss. **07**

(b) Baldha Ltd. Produces a Chemical A of which standard material cost is: **07**

40% of Material P at Rs. 4000 Per Metric Tonne
60% of Material Q at Rs. 6000 Per Metric Tonne

Standard Loss of 10% is expected in production. During January 2008, 171 metric tonnes of A were produced from the use of 90 metric tonnes of material P at Rs. 3,600 per metric tonne and 110 metric tonnes of material Q at Rs. 6,800 per metric tonne. Calculate the following material Variances for the month of January 2008 indicating their nature, i.e. favorable or adverse.

- i. Material Price Variance
- ii. Material Mixture Variance
- iii. Material Yield Variance
- iv. Material total Cost Variance

Q.2 (a) Following details are available:

	Sales	Total Cost
PERIOD 1	Rs 39,000	Rs 34,800
PERIOD 2	Rs 43,000	Rs 37,600

You are required to determine:

- i. Contribution of the firm
- ii. Annual Variable and Fixed Costs
- iii. Margin of Safety as Percentage of Sales
- iv. Break-Even Sales

(b) Write Short notes on: **07**

- i. Production order
- ii. Job Costing
- iii. Economic Batch Quantity

OR

(b) Site three Examples where direct expense is not included in the cost of production. Justify why these expenses are not regarded as direct expenses. **07**

Q.3 (a) The Costs records show the following expenses of manufacturing units of Product X in a process: **07**

Material	Rs 4000
Labour	1500
Overheads	500

The Standard normal wastage in production is 10% and it can be sold in the market at Rs. 15 per unit. The actual Production is 150 units which is attributable in gross carelessness of the workers.

Show the treatment of wastage in the process A/c and prepare the abnormal wastage A/c.

(b) Enumerate the importance provisions of cost audit (report) rules and describe in what way they are different from financial auditor's report **07**

- Q.3 (a)** A factory uses job costing. The following cost data is obtained from its books for the year ending 31 December 2012.

Direct Material	Rs 90,000
Direct Wages	75,000
Profit	60,900
Selling and distribution Overheads	52,500
Administration Overheads	42,000
Factory Overheads	45,000

- Prepare a job cost sheet indicating the prime cost, work cost, production cost, cost of sale, and the sales value.
 - In 2013, the factory receives an order for a number of jobs. It is estimated that direct materials cost Rs. 1,20,000 and Labour costs Rs 75,000. What should be the price of these jobs if the factory intends to earn the same rate of profit on sales? Apply works overheads as a percentage of direct wages, and administration and selling and distribution overheads as a percentage of works cost. You can use the rates prevailing in the previous year for this purpose.
- (b)** What is CVP Analysis? Explain uses of CVP Analysis and its Limitations.

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- Q.4 (a)** The Riddhi company Ltd is a manufacturing company having three production Departments X, Y, Z, and two service departments A and B. The following is the budget for the next month:

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	Total (Rs)	X	Y	Z	A	B
Direct Material		2000	4000	8000	4000	2000
Direct Wages		10000	4000	16000	2000	4000
Factory Rent	8000					
Power	5000					
Depreciation	2000					
Other Overheads	18000					
Area (Sq. ft.)	800	200	100	200	100	200
Horsepower	1.40	0.50	0.40	0.20	0.15	0.25
Machine-Hour	18000	2000	4000	8000	2000	2000
Capital Value	20000	4000	8000	4000	2000	2000

Additional Information: A technical assessment of the apportionment of expenses of service departments is as under:

	X (%)	Y (%)	Z (%)	A (%)	B (%)
Service Dept. A	45	15	30	-	10
Service Dept. B	60	35	-	05	-

Required

- A Statement showing the distribution of overheads to various departments.
 - A Statement showing redistribution of services departments expensed to production departments
 - Machine-hour rates of the production departments X, Y and Z.
- (b)** Differentiate ABC and Absorption Costing. What are the benefits of ABC over absorption costing?

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OR

- Q.4 (a)** Elaborate in details necessary features for Zero-base budgeting? How do you think Zero-base budgeting can be implemented? Is it practical to implement in Indian

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- (b) What is cost plus pricing? Explain the different methods available for pricing the product for external customers. 07
- Q.5** (a) Define: Standard Costs. Explain in details advantages of Standard Costing System What are the different bases of classification of Variances? 07
- (b) A department attains a sale of Rs 6, 00,000 at 80% of its normal Capacity and its expenses are given below. 07

Administrative Expenses	Rs	Selling Costs	Rs
Office Salaries	Rs 90,000	Salaries	8% of Sales
General Expenses	2% of Sales	Travelling Expenses	2% of Sales
Depreciation	7,500	Sales office Expenses	1% of Sales
Rates and Taxes	8,750	General Expenses	1% of Sales

The distribution costs are: Wages – Rs 15,000; Rent – 1% of sales; and Other expenses – 4% of Sales.

Draw up a flexible Administration overhead, Selling & Distribution overhead costs budget, operating at 80%, 90%, 100% and 110% at normal capacity.

OR

- Q.5** (a) Explain in detail the Concept of Opportunity Costs. How does it differ from imputed cost? 07
- (b) The Following data relate to the manufacture of a standard Product during the four weeks ended 27 March 14. 07

Raw Materials Consumed	Rs. 15,000
Direct Wages	9,000
Machine Hours Worked	900
Machine Hour Rate	Rs 5
Administrative overhead	20% of Works Cost
Selling Overheads	Re. 0.50 Per Unit
Units Produced	17,100
Units Sold	16000 @ Rs 4 Per Unit

You are required to prepare a cost sheet in respect of the above, Showing

- Cost per unit.
- Profit per Unit Sold and Profit for the Period.
