

**Code: 12E01303**

MBA (Finance) III Semester Supplementary Examinations November/December 2018

COST & MANAGEMENT ACCOUNTING

(For students admitted in 2014 (LC), 2015 & 2016 only)

Time: 3 hours

Max. Marks: 60

Answer any FIVE questions
All questions carry equal marks

- 1 (a) Discuss the scope and importance of management accounting. How does it differ from financial accounting?
(b) Enumerate the objectives of job costing.
- 2 (a) The following transactions occur in the purchase and issue of a material:
Jan 2 Purchased 4,000 units @ rs.4.00 per unit
Jan 20 Purchased 500units @ Rs.5.00 per unit
Feb 5 Issued 2,000 units
Feb 10 Purchased 6,000 units @ Rs.6.00 per unit
Feb 12 Issued 4,000 units
March 2 Issued 1,000 units
March 5 Issued 2,000 units
March 15 Purchased 4,500 units @ Rs.5.50 per unit
March 20 Issued 3,000 units.
From the above, prepare the store ledger account:
(i) By adopting FIFO method of charging material issued.
(ii) By adopting the LIFO method. What would be the value of stock in hand at the end of period according to each of these two methods?
(b) What is meant by EOQ? What are the various costs which affect the economic order quantity?
- 3 (a) From the following particulars work out the earnings for the week of a worker under: (i) Straight piece rate. (ii) Differentiate piece rate. (iii) Halsey premium system. (iv) Rowan system.
Number of working hours per week 48
Wages per hour Rs.3.75
Rate per piece Rs.1.50
Normal time per piece 20minutes
Normal output per week 120 pieces
Actual output for the week 150 pieces
Differential piece rate: 80% piece rate when output is below standard and 120% when above standard.
(b) Are high overhead costs on indication of inefficiency?

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- 4 (a) Product a passes through three processes before it is completed. The output of each process is charged to the next process at price calculated to give a profit of 20% on transfer price (i.e., 25% on cost price). The output of process III is charged to finished stock account on a similar basis. There was no work-in-progress at the beginning of the year and overheads have been ignored. Stocks in each process have been valued at prime cost of the process. The following data are obtained at the end of 31st March, 2001:

Details	Process I Rs.	Process II Rs.	Process III Rs.	Finished stock Rs.
Direct materials	20,000	5,000	4,000	-
Direct wages	15,000	10,000	20,000	-
Stock on 31 st December	5,000	6,500	9,500	5,000
Sales during the year	-	-	-	1,10,000

From the above information prepare:

- Process cost accounts showing the profit element at each stage.
 - Actual realized profit.
 - Stock valuation as would appear in the balance sheet.
- (b) List out the five industries in which process costing is used.
- 5 (a) HR.Ltd., makes a single product which sells for Rs.30 per unit and there is a great demand for the product. The variable cost of the product is Rs.16 as detailed below.

	Rs.
Direct material	8
Direct labour (2 hrs)	4
Variable overhead	4
Total cost :	<u>16</u>

The labour force is currently working at full capacity and no extra time can be made available. Mr. Goyal, a customer has approached the company with a request for the manufacture of a special order at Rs.8,000. The cost of the order would be Rs.3000 for direct material and 600 labour hours will be required and variable overhead per hour should be Rs.2. should the order be accepted or not.

- (b) What are the characteristics and assumptions of marginal costing?
- 6 The cost of an article at a capacity level of 5,000 units is given under A below. For a variation of 25% in capacity above or below this level, the individual expenses vary as indicated under B below.

	A (Rs.)	B
Material cost	25,000	(100% varying)
Labour cost	15,000	(100% varying)
Power	1,250	(80% varying)
Repairs and maintenance	2,000	(75% varying)
Stores	1,000	(100% varying)
inspection	500	(20% varying)
Depreciation	10,000	(100% varying)
Administration overheads	5,000	(25% varying)
Selling overheads	3,000	(25% varying)
	<u>62,750</u>	

Cost per unit Rs.12.55.

Find the unit of the product at a production level of 4,000 and 6000 units.

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- 7 (a) Calculate the labour variances from the following information.

Standard wages

Grade X : 90 labourers at Rs.2 per hour

Grade Y : 60 labourers at Rs.3 per hour

Actual wages

Grade X : 70 labourers at Rs.2.50 per hour

Grade Y : 70 labourers at Rs.2.00 per hour

Budgeted hours 1000; actual hours 900

Budgeted gross production 5000 units, standard loss 20%; actual loss 900 units.

- (b) List out the limitations of standard costing.
- 8 (a) Assuming that the cost structure and selling prices remain the same in both the periods. Compute the following:
- (i) Profit volume ratio.
 - (ii) BEP for sales.
 - (iii) profit when sales are Rs.1,00,000
 - (iv) Sales required to earn a profit of Rs.20,000
 - (v) safety of margin in both the periods

Periods	Sales Rs.	Profit Rs
I	1,20,000	9,000
II	1,40,000	13,000

- (b) What are the managerial uses of break even analysis?
