

**PARUL UNIVERSITY**  
**FACULTY OF MANAGEMENT**  
**MBA., Summer 2017-18 Examination**

Semester: 2

Subject Code: 06200151

Subject Name: Cost and Management Accounting

Date: 18-05-2018

Time: 10:30AM to 01:00PM

Total Marks: 60

**Instructions**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1 Do as Directed.****Multiple choice type questions/Fill in the blanks. (Each of 1 mark)****(05)**

1. Most suitable basis for apportioning insurance of machine would be \_\_\_\_\_
  - a) Floor Area
  - b) Value of Machines
  - c) No. of Workers
  - d) No. of Machines
2. In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own \_\_\_\_\_
  - a) Fixed Cost
  - b) Variable Cost
  - c) Total Cost
  - d) Prime Cost
3. Which of these is not an objective of Cost Accounting?
  - a) Ascertainment of Cost
  - b) Determination of Selling Price
  - c) Cost Control and Cost reduction
  - d) Assisting Shareholders in decision making
4. Describe the method of costing to be applied in case of a School or a University \_\_\_\_\_
  - a) Operating Costing
  - b) Process Costing
  - c) Contract Costing
  - d) Job Costing
5. A company's breakeven point is 6,000 units per annum. The selling price is Rs. 90 per unit and the variable cost is Rs. 40 per unit. What are the company's annual fixed costs?
  - a) Rs. 120
  - b) Rs. 2,40,000
  - c) Rs. 3,00,000
  - d) Rs. 5,40,000

**B). Define the following. (Each of 1 mark)****(05)**

1. Semi Variable Cost
2. Sunk Cost
3. Marginal Cost
4. Imputed Cost
5. Discretionary Cost

**C). Direct questions.****(05)**

1. What is a Bin Card? **1**
2. What are Abnormal Loss and Abnormal Gain? **1**
3. You are given the following data: **3**

Year	Sales	Profit
2013	120,000	8000
2014	140,000	13000

Compute:

- 1) P/V Ratio and Breakeven Point
- 2) Profit when sales are 180,000
- 3) Sales required for earning a Profit of 12000.

**Q.2 Answer the following questions.**

A). Distinguish between Time Rate and Piece Rate System of Remuneration. (07)

B). Excellent Manufactures can produce 4000 units of a certain product at 100% capacity. The following information is obtained from the books of account:

Particulars	March 2015	April 2015
Units Produced	2800	3600
Repairs & Maintenance	500	560
Power	1700	2000
Shop Labour	700	900
Consumable Stores	1400	1800
Salaries	1000	1000
Inspection	200	240
Depreciation	1400	1400

(08)

Rate of production per hour is 10 units. Direct Material cost per unit is Rs.1 and direct wages per hour is Rs.4. You are required to compute total cost and total cost per unit at 100%, 80%, and 60% capacity showing the Variable, Fixed and Semi – Variable items under the flexible budget.

**Q.3 Answer the following questions.**

A). “Management Accounting and Cost Accounting serves to the organization in different ways” – Discuss the statement and list out the difference between both the methods. (07)

B). Product “A” is obtained after it passes through three distinct processes. The following information is obtained from the accounts for the month ending February 2018.

Particulars	Total (Rs)	Process I	Process II	Process III
Direct Material	7542	2600	1980	2962
Direct Wages	9000	2000	3000	4000
Production Overheads	9000			

1000 units at Rs.3 per unit were introduced to Process I. There was no stock of material or WIP at the beginning of the period. The output of each process passes to next process and finally to finished stock. Production overhead is recovered as 100% of direct wages. The following additional data is available. (08)

Process	Output (units)	% of normal loss to input	Value of scrap per unit (Rs)
I	950	5%	2
II	840	10%	4
III	750	15%	5

Prepare process accounts and abnormal loss account.

**Q.4 Attempt any two questions. (Each of 7.5 mark) (15)**

1. Sunshine Ltd is manufacturing three products A, B & C, and selling them in a competitive market. The details of current demand, selling price and cost structure are given as below:

Particulars	A	B	C
Expected Demand (units)	10,000	12,000	20,000
Selling Price per unit	20	16	10
Direct Material (Rs. 10/ kg)	6	4	2
Direct Labour (Rs. 15/ hr)	3	3	1.5
Variable Overhead per unit	2	1	1
Fixed Overhead per unit	5	4	2

The company is frequently affected by acute scarcity of raw material and high labour turnover. Due to this the company is not able to fulfill the expected market demand. During the next period it is expected that the company have to face one of the following situation:

- 1) Only 12,100 kgs of raw material will be available in the next period.
- 2) Only 5000 labour hours will be available during the next period.

Suggest the best Product Mix in each case and the resultant profit that the company would earn, according to your suggestions.

2. The standard material input required for 1000 kg of finished product are given below:

Material	Quantity (KG)	Std rate Rs.
P	450	20
Q	400	40
R	250	60
TOTAL	1100	
Standard loss	100	
<b>Standard Output</b>	<b>1000</b>	

Actual production in a period was 20000 kgs, and the actual quantities and rates are as follow:

Material	Quantity (KG)	Actual rate Rs.
P	10000	19
Q	8500	42
R	4500	65

Calculate: 1. MCV 2. MPV 3. MUV 4. MMV & 5. MYV

3. Krishna Travels owns a bus and operates a tourist service on a daily basis. The bus starts from Vadodara to Waghodia and returns back to Vadodara on the same day. Distance between Vadodara and Waghodia is 250 kms. This trip operates for 10 days in a month. The bus also plies for another 10 days between Vadodara and Ahmadabad and returns back to Vadodara the same day, distance between these two places is 200 kms. The Bus makes a local trip for 5 days in a month, covering a total distance of 60 kms per day.

Cost of Bus	Rs. 350,000
Depreciation	25%
Driver's Salary	Rs. 1200 p.m.
Conductor's Salary	Rs. 1000 p.m.
Clerk's Salary	Rs. 400 p.m.
Insurance	Rs. 1800 p.a.
Diesel Consumption	4 km per litres @ Rs. 8 litre
Token tax	Rs. 2400 p.a.
Permit Fee	Rs. 1000 p.a.
Lubricant Oil	Rs. 100 for every 200 kms
Repairs & Maintenance	Rs. 1500 p.m.
Normal Capacity	50 persons

While plying to and from Waghodia the bus occupies 90% of the capacity and 80% capacity when it plies between Vadodara to Ahmadabad (both ways). In the city the bus runs at full capacity. Passenger Tax is 20% of the net takings of the firm.

Calculate the rate to be charged to Waghodia and Ahmadabad from Vadodara, per passenger if the profit required to be earned is 33% of net takings of the firm.

4. Prepare a Cost Sheet showing all the elements of Cost by using imaginary figures and also explain the uses of Cost Sheet.