SVKM's NMIMS University
School of Distance Learning

Cost & Management Accounting

Date: 12.12.2007 **Marks: 100**
Time: 11.00 to 2.00

Please Note :

1. Answer any FIVE questions
2. All questions carry equal marks
3. Total number of questions is TEN
4. It is expected that you support your answers with relevant examples.

Question 1. Write Short Notes on Any FOUR

1. Cost Volume Profit Relationship
2. Master Budget
3. Budgetary Control
4. Activity Based Costing
5. Make or Buy decision
6. Cost Classification

Question 2. Cost summary of Variances Unlimited Ltd. is given below for one finished product –

	Standard input	Standard rate
Direct material	10 kg	Rs. 4 / kg
Direct labour	1 hr	Rs. 80 / hr

Actual Results for March 2007 were -

Number of units produced - 6000 units
Direct material consumption 96,000 kg @ Rs. 4.2/kg
Direct labour 6200 hrs @ Rs. 76 / hr

Calculate –

1. Material cost, usage & price variances.
2. Labour cost, efficiency & rate variances

Question 3. The XXX Industries is specialised in the manufacture of spike busters
The cost of spike buster is as follows:

Material Cost	:	Rs. 50/-
Labour Cost	:	Rs. 30/-
Variable overheads	:	40% of Material cost

Fixed overheads amount to Rs. 1.2 Lakh p.a. The sale price of the spike buster is Rs. 160/-. Company plans to manufacture & sell 8000 Spike busters in a year.

You are required to answer the following:

1. Determine number of spike busters to break-even
2. What is the P/V ratio & profit for the year?
3. How many spike busters have to be sold to earn a profit of Rs. 1.80 Lakh in a year?
4. If the sale price is reduced by Rs. 40/- per spike buster, how many spike busters have to be sold to break-even?

Question 4. Answer the following –

A) Discuss purposes of Cost Accounting

B) Discuss Budgeting Process

Question 5. XYZ Company has a production capacity of 50000 units.
Presently company manufactures and sales 30000 units.
The variable cost is Rs. 10 per unit and selling price is Rs. 15 per unit. The fixed costs are Rs. 1,00,000.
Sales Director has given following suggestion for capacity utilisation & profit improvement -

1. If the selling price is reduced to Rs. 14.00 per unit, the sales will go up to 35000 units.
2. If the selling price is reduced to Rs. 13.00 per unit, the sales will go up to 43000 Units.
3. If the selling price is increased to Rs. 16.00 per unit, the sales will down to 25000 Units.

Evaluate the above suggestions and find out the impact on profit?
Also advise top management on which suggestion to be implemented.

Question 6 A) Mercury Motors manufactures various motor parts. The cost structure of a part whose annual production is 10000 units, is as follows :

		Rs.
Materials	300	Per Unit
Labour (25% fixed)	100	Per unit
Expenses -		
Variable	250	Per Unit
Fixed	125	Per Unit
	775	

The purchasing manager explores that a supplier is ready to supply the part at Rs. 700. Should the part be purchased and production stopped? What will be your advice if the resources producing that part are used to produce a product for which the selling price is Rs. 850. In the latter case material price will be Rs. 200 per unit.

Question 7 The following figures have been obtained from the records of Departmental Store having four Departments :

	Departments				
	Sport	Electronic	Kitchen	Apparel	Total
Sales	25000	40000	30000	35000	130000
Marginal Cost	27500	30000	10000	10000	77500
Fixed Cost (Apportioned)	2500	20000	5000	5000	32500
Total Cost	30000	50000	15000	15000	110000
Profit(+)/Loss(-)	-5000	-10000	15000	20000	20000

On the basis of the above information, senior management wants to discontinue Electronic department instantly, as the loss is maximum. After that sports department will be discorded.
Do you agree with decision of senior management?
What would be your recommendation?

Question 8. Distinguish Between (Any FOUR)

1. Absorption Costing and Marginal Costing
2. Contribution and Profit
3. Fixed costs and Variable costs
4. Process Costing and Job Costing
5. Direct Costs and Indirect Costs
6. Product Costs and Period Costs
7. Budget and Standard Cost

Question 9. WAX Corporation manufactures and sells Tooth Paste at Rs. 5.00 per 100 gm pack. Current operations are at 10000 packs against total capacity of 20000 packs per annum. The cost structure for 10000 packs is as follows:

	Amount in Rs.
Direct Material	20000
Direct Labour	5000
Power	5000
Repairs	5000
Fixed Expenses	20000
	55000

Company has received an offer for exports for 8000 packs at a price of Rs. 4.00 per 100 gm pack. Should company accept offer? Give your critical comments.

Question 10 Prepare the Cost Sheet of ABC Ltd. From the following information :

	Amount in Rs.
Opening stock of raw materials	2,00,000
Opening stock of finished goods	4,00,000
Closing stock of raw materials	3,00,000
Closing stock of finished goods	1,00,000
Raw Materials procured	12,00,000
Direct Wages	5,00,000

Calculate factory overheads at 25% of prime cost. Office overheads are to0 be calculated as 75% of factory overheads. Selling price should be 25% above cost.

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