Seat No.: _____ Enrolment No.______

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA. Sem-II Remedial Examination December 2010

Subject code: 820001
Subject Name: Cost and Management Accounting

Date: 16 /12 /2010 **Time: 10.30 am – 01.00 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)** Explain the following terms: **07**

1. Direct Cost
2. Indirect Cost
3. Cost Object
4. Cost Driver
5. Cost Allocation
6. Cost Sheet
7. Semi variable cost

(b) From the following details calculate variable cost, fixed cost and contribution for each product for both the years. **07**

Particulars	Sales	Total Cost
Year 1	39,000	34,800
Year 2	43,000	37,600

Q.2 **(a)** Write a detailed note on Target Costing. **07**

(b) Standard material required for manufacturing 100 kg comical X is given below: **07**
45 kg of material A @ Rs. 2 per kg.
40 kg of material B @ Rs. 4 per kg.
25 kg of material C @ Rs. 6 per kg.
The standard loss is 10 kg.
During the 42nd week, 2000 kg. of comical X was produced and actual material usage is as follows:
Material A: 1000 kg. @ Rs. 1.9 per kg.
Material B: 850 kg. @ Rs. 4.2 per kg/.
Material C: 450 kg. @ Rs. 6.5 per kg.
Calculate all material related variances.

OR

(b) Company M has budgeted following sale for the month. **07**
Toy A: 900 units @ Rs. 50 per unit
Toy B: 650 units @ Rs. 100 per unit
Toy C: 1200 units @ Rs. 75 per unit
Actual sales were,
Toy A: 1000 units @ Rs. 55 per unit
Toy B: 700 units @ Rs. 95 per unit
Toy C: 1100 units @ Rs. 78 per unit
The cost per unit of A,B, and C are Rs. 45, Rs. 85 and Rs. 65 respectively.
Compute all sale margin relate variances.

Q.3 **(a)** M Ltd. Uses Job Costing at its plant. The plant is machining department and an assembly department. Its costing system has two direct cost categories, direct material and direct manufacturing labor. It has two manufacturing overheads cost pools machining department and assembly department. Overheads of machining department are allocated on the basis of actual machine hours and assembly department overheads are allocated on the basis of actual direct manufacturing labor cost. The budget for the plant is: **07**

Particulars	Machining department	Assembly department
Manufacturing O/H	36,00,000	72,00,000
Direct manufacturing labor cost	28,00,000	40,00,000
Direct Manufacturing Labor Hours	2,00,000	4,00,000
Machine Hours	1,00,000	4,00,000

From the above information calculate:

1. Budgeted manufacturing O/H rate for each department.
2. During February the job cost record for Job 494 contained the following, calculate the cost of this job.

Particulars	Machining department	Assembly department
Direct Material used	90,000	1,40,000
Direct manufacturing labor cost	28,000	30,000
Direct Manufacturing Labor Hours	2,000	3,000
Machine Hours	4,000	2,000

3. At the end of the year actual manufacturing O/H were 42,00,000 in machining and 74,00,000 in assembly. Assume that 1,10,000 actual machine hours were used in machining and actual labor cost amounted to 44,00,000. compute the over and under allocation of O/H.

(b) Write a note on methods of absorption of overheads. **07**

OR

Q.3 **(a)** AB has decided to increase the size of its stall. It wants information about profitability of its three product lines Soft Drinks (SD), Fresh Produce (FP) and Packaged Food (PF). Following data is available for the current year. **07**

Particulars	Soft Drinks	Fresh Produce	Packaged Food
Revenues	31,74,000	84,02,400	48,39,600
COGS	24,00,000	60,00,000	36,00,000
Cost of bottles return	4800	-	-
No. of purchase orders	144	336	144
Number of deliveries	120	876	264
Shelf stocking hours	216	2160	1080
Items sold	50,400	441600	122400

Following additional data is provided.

Activity	Allocation base	Total support cost
Bottles return	Direct to SD	48000
Ordering	Purchase orders (624)	6,24,000
Delivery	Deliveries (1260)	10,08,000
Shelf stocking	Shelf stocking hours (3456)	6,91,200
Customer Support	Items sold (6,14,400)	12,28,800
Total		36,00,000

From the above information calculate:

1. Currently support costs are allocated to the product lines on the basis of COGS. Calculate profit under the current costing system.
2. Calculate the profit of all the three product lines under ABC costing systems.
3. Comment on both the results.

(b) Write a note on classification of overheads. **07**

Q.4 **(a)** Following data is available about Process A. There was no opening work in progress. **07**

Material introduces at the beginning of the process: 5000 units
Units completed and assed to Process B: 4000 units
Units remaining in work in progress: 1000 units
Cost of material introduced at the beginning of the process: Rs. 20,000
Direct wages: Rs. 11,750 Factory O/H: Rs. 9,400
Degree of completion of work in progress: Material 100%, Labor 70%, O/H 70%. Calculate the following:

1. Equivalent production 2. Cot per unit of equivalent production
3. Process A account.

(b) Write a short note on characteristics and features of operating costing. **07**

OR

Q.4 **(a)** From the following data relating to different two vehicles A and B compute the cost per tonne-mile. **07**

Particulars	Vehicle A	Vehicle B
Mileage run (annual)	15,000 mile	6,000 mile
Tonnes per mile	6	4
	(Rs.)	(Rs.)
Cost of vehicle	. 25,000	15,000
Road License	750	750
Insurance	700	400
Garage rent	800	700
Supervision and salaries	2,500	2,500
Direct wages per hour	3	3
Cost of petrol per gallon	3	3
Miles run per gallon	20 miles	15 miles
Repair and maintenance charges (Rs. Per mile)	1.65	2
Tyre allocation per mile	0.4	0.6
Estimated life of vehicle in miles	1,00,000	75,000

You are required to charge interest on cost of vehicle @ 5% p.a. the vehicle runs 20 miles per hour on an average.

(b) Explain Normal Loss, Abnormal Loss and Abnormal gain with an example under process costing. **07**

Q.5 **(a)** A department attaints a sale of Rs. 6,00,000 at 80% of its normal capacity and its expenses are given below. **07**

Administrative Exp.	Rs.	Selling Cost	Rs.
Office salaries	90,000	Salaries	8% of sales
General expenses	2% of sales	Traveling Exp.	2% of sales
Depreciation	7,500	Sales office Exp.	1% of sales
Rates & taxes	8,750	General Exp.	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 and distribution overhead costs budget, operating at 80%, 90%, 100% and 110% normal capacity.

(b) What is cost plus pricing? Which are the most common methods of cost plus pricing? **07**

OR

Q.5 **(a)** What are the various advantages and disadvantages of budgeting? **07**

(b) The operating statement of a company is as follows: **07**

Sales (80,000 units @ Rs. 15): Rs. 12,00,000

Variable cost:

- Material: 2,40,000
- Labor: 3,20,000
- Overheads: 1,60,000

Total Variable cost: 7,20,000
Fixed: 3,20,000

Total Cost: 10,40,000

Profit: 1,60,000

The plant capacity is 1,00,000 units. A customer from USA is desirous of buying 20,000 at a net price of Rs. 10 per unit. Advise the company whether or not the offer should be accepted? Will your advise be different if the customer is a local one?

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