

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - SEMESTER-II • EXAMINATION – SUMMER 2013

Subject Code: 2820001**Date: 13-05-2013****Subject Name: Cost and Management Accounting****Time: 10:30am – 01:30pm****Total Marks: 70****Instructions:**

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.
4. Each question carry equal marks (14 marks)

- Q.1 (a) How do the managers decide whether the cost is a direct cost or indirect cost? Illustrate 07
- Q.1 (b) Following particulars relate to the production department of a factory for the month of June, 2012. 07
- | | |
|--|------------|
| Material used | Rs. 80,000 |
| Direct Wages | Rs. 50,000 |
| Direct Labour Hours worked | 20,000 |
| Overhead Charges allocated to the department | Rs. 70,000 |
- Cost data of a particular work order carried out in the above department during June, 2012 is given below:
- | | |
|---------------------|-----------|
| Material used | Rs. 6,000 |
| Direct Wages | Rs. 5,250 |
| Labour Hours booked | 3,300 |
- What would be the factory cost of the order under the following methods of charging overheads?
1. Direct Material Cost Rate.
 2. Direct Labour Cost Rate.
 3. Direct Labour Hour Rate.
- Q.2 (a) In a coke manufacturing company, 2000 tons of coal is used at a price of Rs. 4 per tonne. 07
- The following byproducts are also produced.
- | | |
|----------------------|---|
| Tar: | 12,000 gallons @ Re. 0.05 per gallon. |
| Sulphate of Ammonia: | 26,000 lbs. @ Re. 0.025 per lb. |
| Gas: | 70,00,000 cu. ft. @ Re. 0.15 per thousand cu. ft. |
| Benzol Extraction: | 3,000 gallons @ Re. 0.20 per gallon. |
- Further carbonizing cost of Rs. 2,000 was also incurred.
- At the finished stage 660 tons of coke was produced. Find out the total cost of finished coke assuming total sales value of by-products is deducted from the cost of coke.
- Q.2 (b) What is Standard Costing? Bring out the comparison between Standard Costing and Budgetary Control? 07
- OR
- Q.2 (b) What is Job order Costing? What are the special features of job costing? Give examples? 07
- Q.3 (a) A transport undertaking maintains the fleet of lorries for carrying goods from Delhi to Meerut, 100 kms. off. Each lorry which operates 25 days on 07

average in a month starts every day from Delhi with a load of 8 tonnes and returns from Meerut with a load of 4 tonnes.

1. Calculate the commercial tonne-kms. and cost per commercial tonne-km, when the total monthly charges for a lorry are Rs. 24,000.
2. What rate per tonne should the undertaking charge if it plans to earn a profit of 20% on the freightage?

- Q.3 (b) A batch of 600 units was introduced in the process at Rs. 20 per unit. 500 units were completed and transferred to finished goods store. The normal process loss was 20% of the input and the scrap is normally sold to contractor at Rs. 3 each. The labour and overhead expenditure incurred in the processes amounted to Rs. 600. you are required to show the Process and Abnormal Gain Accounts. 07

OR

- Q.3 (a) What do you mean by Activity Based Costing? Explain different stages involved in ABC system of costing? 07

- Q.3 (b) Budget Activity: 5000 units 07
 Actual Activity: 80%
 Actual Production 3750 units
 Actual Variable Overhead Rs. 85,000
 Budget of Variable Overhead(for each 5% variation in activity) Rs. 5,000
 Calculate variable overhead variances

- Q.4 From the information given below, you are required to prepare profit statements for the year based on (i) Absorption Costing (ii) Marginal Costing. 14

CMR Ltd. produces a single product, which is bottled and sold in cases. The normal annual level of operations, on which the production fixed overhead absorption is based is 18,000 cases. Data for the last accounting year were as follows:

Production 20,000 cases; sales 16,000 cases.

	Rs. per case
Selling price	30
Production costs:	
Direct material	7
Direct labor	6
Variable overhead	4
Fixed overhead (budgeted and incurred)	54,000
Selling and Administration costs	
Fixed	Rs.25,000
Variable	15% on sales revenue

There was no opening stock of finished goods and the work-in-progress stock may be assumed the same at the end of the year as it was at the beginning of the year.

OR

- Q.4 (a) Explain the Make or Buy Decisions in context of the following under mentioned statements: 07

If Purchase Price < Variable Cost, go for purchase proposition.

If Purchase Price > Variable Cost, go for manufacturing proposition.

- Q.4 (b) From the following figures, prepare Raw Materials Purchase Budget for 07

January, 2012:

Particulars	Materials Units		
	A	B	C
Estimated Opening Stock	16,000	6,000	24,000
Estimated Closing Stock	20,000	8,000	28,000
Estimated Consumption	1,20,000	44,000	1,32,000
Standard price per unit	Rs. 1	Rs.1.50	Rs. 2

Q.5 (a) Explain the importance of Cost Accounting Standards from viewpoint of Economic Development? 07

Q.5 (b) Ajanta House manufactures watches. A national sporting goods chain recently submitted a special order for 4000 sport watches. Ajanta was not operating at a capacity and could use the extra business. Unfortunately, the order's offering price of Rs.17 per watch was below the cost to produce the watches. 07

The controller was opposed to taking loss on the deal. However, the personnel manager argued in the favour of accepting the order even though loss would be incurred; it would avoid the problems of layoffs and would help maintain the community image of the company. The full cost to produce the sport watch is presented below:

Particulars	Rs.
Direct material	6.50
Direct labour	5.00
Variable overhead	3.25
Fixed overhead	2.50
Total	17.25

No variable selling or administrative expenses would be associated with the order. Unit level activity costs are small percentage of total costs and therefore considered.

1. Assume that the company would accept the order only if it increased total profits. Should the company accept or reject the order? Provide supporting computations.
2. Consider the personnel manager's concerns. Discuss the merits of accepting the order even if it decreases the total profits

OR

Q. 5 (a) Write shortnote on Cost Volume Profit analysis? 07

Q.5 (b) Rakesh Ltd produces industrial solvents. Two Liquid Solutions Sol-A and Sol-B, are mixed and heated to produce a solvent that is sold to companies for use in the process that removes grease and oil from engines scheduled for recycling. After the liquid solvent is produced by mixing and heating, it is placed in 50 gallon drums and moved to the warehouse. The compound is produced in batches and has the following standards: 07

Direct Material	Standard Mix (gallons)	Standard Unit Price	Standard Cost
Sol-A	16,000	Rs. 1.50 per gallon	Rs.24,000
Sol-B	4,000	Rs. 7.50 per gallon	Rs.30,000
Total	20,000		Rs. 54,000
Yield	18,000		

During March, the following actual production was provided:

Direct Materials	Actual Mix (gallons)
Sol-A	140000
Sol-B	60000
Total	200000
Yield	162000

1. Compute the direct material mix and yield variances.
2. Compute the total direct material usage variance for Sol ñA and Sol-B. Show that the total direct material usage variance is equal to the sum of the direct materials mix and yield variances.
