

GUJARAT TECHNOLOGICAL UNIVERSITY**SEMESTER– 2 EXAMINATION – WINTER 2012****Subject code: 2820001****Date: 03/01/2013****Subject Name: Cost and Management Accounting (CMA)****Time: 10:30 – 13:30****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)** “The subject of Management Accounting is very important and useful for optimum utilization of resources. It is an indispensable discipline for corporate planning, management and control” – Justify this statement in the light of importance of Management Accounting. **07**
- (b)** Explain (1) Engineered Cost (2) Joint Cost (3) Opportunity Cost. **07**

- Q.2 (a)** What do you understand by Activity Based Costing (ABC)? Briefly discuss the key advantages and limitations of ABC. **07**
- (b)** For making 10 kg. of Wimco, the standard material requirement is as follows: **07**

Material	Quantity (kg.)	Rate per kg. (Rs.)
A	8	6.00
B	4	4.00

During April, 1,000 kg. of Wimco were produced. The actual consumption of materials is as follows:

Material	Quantity (kg.)	Rate per kg. (Rs.)
A	750	7.00
B	500	5.00

Calculate :

- (1) Material Cost Variance
- (2) Material Price Variance
- (3) Material Usage Variance

OR

- (b)** Compute the following variances from the data given below: **07**
1. Total Sales Margin Variance
 2. Sales Margin Volume Variance
 3. Sales Margin Price Variance

Product	Budgeted Quantity (Units)	Actual Quantity (Units)	Budgeted Sale Price Per Unit (Rs.)	Actual Sale Price Per Unit (Rs.)	Standard Cost Per Unit (Rs.)
A	240	400	50	45	30
B	160	200	25	20	15

- Q.3 (a)** In process AB on 1 March, there was no work in progress. During the month of March, 2,000 units of material were issued at a cost of Rs. 18,000. Labour and overheads totalled Rs. 9,000 and Rs. 6,600 respectively. On 31 March, 1,500 units were completed and transferred to the next process. On the remaining 500 units, which are incomplete, degree of completion was as follows:

Materials – 100%, Labour – 60% and Overhead – 30%.

You are required to prepare the following:

1. Statement of Equivalent Production
 2. Statement of Cost
 3. Statement of Evaluation
 4. Process AB Account
- (b)** Lincoln Pharmaceuticals Ltd has three production departments A, B and C and two service departments D and E.

The following figures are extracted from the records of the Lincoln company:

Particulars	Amount in Rs.	Particulars	Amount in Rs.
Rent and rates	5,000	General lighting	600
Indirect wages	1,500	Power	1,500
Depreciation of machinery	10,000	Sundries	10,000

The following further details are available:

Particulars	Total	A	B	C	D	E
Floor space (Sq. ft.)	10,000	2,000	2,500	3,000	2,000	500
Light points	60	10	15	20	10	5
Direct wages (Rs.)	10,000	3,000	2,000	3,000	1,500	500
H.P. of machines	150	60	30	50	10	--
Value of machinery (Rs.)	2,50,000	60,000	80,000	1,00,000	5,000	5,000

Apportion the cost to various departments on the most equitable basis.

OR

- Q.3 (a)** What is Process Costing? Explain the main features of Process Costing. Mention the industries where it is applied.
- (b)** What is the difference between Joint Products and By-products? Briefly explain any two methods of apportionment of Joint Cost.

- Q.4 (a)** The following figures are extracted from the books of Arvind Denims company for the year 2010-11.

Particulars	Amount in Rs.
Direct Materials	2,05,000

Direct Labour	75,000
Fixed Overheads	60,000
Variable Overheads	1,00,000
Sales	5,00,000

1. Calculate the Break-even Point (BEP).
2. What will be the effect on BEP of an increase of 10% in
(a) Fixed Expenses and (b) Variable Expenses.

(b) Write a note on Absorption Costing. **07**

OR

Q.4 (a) The following figures are available from the records of Jasmine Enterprises as at 31 March 2002 and 2003. **07**

Particulars	2002 (Rs. In lakh)	2003 (Rs. In lakh)
Sales	150	200
Profit	30	50

Calculate:

1. The P/V Ratio and Total Fixed Expenses
2. The Break-even level of sales
3. Sales required to earn a profit of Rs. 90 lakh
4. Profit or Loss that would arise if the sales were Rs. 280 lakh.

Q.4 (b) What do you understand by Cost-Volume-Profit (CVP) Analysis? How CVP Analysis is useful for the management? **07**

Q.5 (a) Define Flexible Budget. Explain its importance as a budgeting technique and tool of control. **07**

(b) How do companies price products using the Cost Plus Approach? **07**

OR

Q.5 (a) Write a note on Target Costing and Life Cycle Costing. **07**

(b) Define the concept of Cost Audit and Management Audit. Also explain the objectives of Cost Audit. **07**
