Q.P. Code:00003567

COST AND MANAGEMENT ACCOUNTING

[Time: 3.00 Hrs.] **[Marks: 80]**

N.B. (1) Q.1 is Compulsory

(2) Attempt any THREE questions from the Q. No.2 to Q. No.5

1. (a) Select appropriate answer from alternatives given below and rewrite the sentences: **10**

1. What is the primary focus of marginal costing?
   A) Total costs B) Variable costs C) Fixed costs D) Overhead costs
2. Which of the following costs are considered in marginal costing?
   A) Direct materials only B) Direct labor only C) Variable manufacturing costs only D) Fixed manufacturing costs only
3. What is the formula to calculate contribution margin?
   A) Sales Revenue - Variable Costs B) Sales Revenue - Fixed Costs C) Total Costs - Variable Costs D) Total Costs - Fixed Costs
4. Which cost does not change with changes in the level of activity in marginal costing?
   A) Variable costs B) Fixed costs C) Semi-variable costs D) Opportunity costs
5. Which of the following is NOT a component of the budgetary control system?
   A) Budget preparation B) Budget implementation C) Budget monitoring and feedback D) Budget approval by shareholders
6. Which type of budget allows for adjustments based on changes in activity levels or other variables?
   A) Fixed budget B) Flexible budget C) Rolling budget D) Master budget
7. Which of the following variances indicates the difference between actual direct labor costs and standard direct labor costs for the actual quantity of labor hours worked?
8. A) Material Price Variance B) Labor Rate Variance C) Labor Efficiency Variance D) Variable Overhead Efficiency Variance
9. The formula for calculating the material price variance is:
   A) (Actual Quantity × Actual Price) - (Actual Quantity × Standard Price) B) (Actual Quantity × Standard Price) - (Actual Quantity × Actual Price) C) (Actual Price × Standard Quantity) - (Actual Price × Actual Quantity) D) (Standard Price × Standard Quantity) - (Actual Price × Actual Quantity)
10. Which variance would indicate the difference between the actual quantity of material used and the standard quantity of material allowed for the actual level of output?
    A) Material Price Variance B) Material Usage Variance C) Labor Rate Variance D) Overhead Efficiency Variance

1. (b) Select whether following statements are True or False : 10

1. Standard costing assumes that there is no variance between actual and standard costs.
2. Variance analysis is not useful for assessing the performance of service-oriented businesses.
3. A favorable variance occurs when actual costs exceed standard costs
4. Budgetary control is only applicable to large organizations and not small businesses.
5. Budgetary control is primarily focused on controlling costs and expenses rather than generating revenue.
6. Budgetary control is a tool for ensuring that an organization's resources are used efficiently to achieve its objectives.
7. Marginal costing can help in setting selling prices by ensuring that they cover variable costs and contribute towards covering fixed costs.
8. Marginal costing is also known as variable costing because it only considers variable costs when calculating the cost of production.
9. Effective labor cost control helps businesses improve profitability by ensuring efficient use of resources.
10. Labor cost control is only necessary for large corporations and not for small businesses or startups.

Q2. From the following details prepare statement of equivalent production, statement of cost, statement of evaluation and Process Account by following average cost method **20**

Opening WIP (2000 Units)

Materials (100% Complete) Rs. 7,500

Labour (60% Complete) Rs. 3,000

Overhead (60% Complete) Rs. 1,500

Units introduced into the process – 8,000

There are 2,000 units in the process. The stage of completion is estimated to be:

Materials 100% Complete

Labour 50% Complete

Overhead 50% Complete

8,000 units are transferred to the next process

The Process costs for the period are:
Materials: Rs. 1,00,000
Labour: Rs. 78,000
Overheads: Rs. 39,000

Q3. A) The accounts of ABC Company Ltd. show for 2024. **10**

- Materials Rs 350,000;
- Labour Rs 270,000;

- Factory Overheads Rs 81,000
- and Administration Overheads Rs 56,080.

What price should the company quote for a refrigerator? It is estimated that Rs 1,000 in material and Rs 700 in labour will be required for one refrigerator. Absorb factory overheads on the basis of labour and administration overheads on the basis of works cost. A profit of 12½ % on selling price is required.

Q3. B) The Standard Cost of a product Material Cost 2Kg @ Rs.2.50 each Rs.5 per unit Wages : 2 hours at Rs.1.00 each Rs. 2.00 per unit. The actual which have emerged from business operations are as follows

- Production 8000 units
- Material Consumed 16500 Kg @ Rs.2.40 each Rs.39,600.
- Wages paid 18000 hours at Rs.1.20 each Rs.21600.

You are required to compute material variances **10**

Q4. A) From the following particulars, prepare the Stores Ledger Account showing how the value of the issues would be recorded under FIFO methods. **10**

01.12.2023 Opening Stock 1,000 Units at Rs. 6 each

05.12.2023 Purchased 500 Units at Rs. 24.50 each

07.12.2023 Issued 750 Units

10.12.2023 Purchased 1,500 Units at Rs. 24 each

12.12.2023 Issued 1,100 Units

15.12.2023 Purchased 1,000 Units at Rs. 25 each

17.12.2023 Issued 500 Units 18.12.2003 Issued 300 Units

25.12.2023 Purchased 1,500 Units at Rs. 26 each

29.12.2023 Issued 1,500 Units

Q4. B) Cash balance on 1st July was Rs.5000. A new machine is to be installed at Rs.15,000 on credit, to be repaid in two equal installments in September 2014 & October 2014. Sales commission at 5% on total sales is to be paid within the month following actual sales. Rs.500 being the amount of second call may be received in September 2014. Share premium amounting to Rs.1000 is also obtainable with second call. Period of credit allowed by supplier is 1 month. Period of credit allowed to customers is 1 month. Delay in payment of overheads is 1 month. Delay in payment of wages is ½ month. Assume cash sales to be 50% of total sales **10**

Q5. A) Distinguish between Financial Accounting and Management Accounting 05

B) limitation / Disadvantages of standard Costing 05

C) Explain the budgetary control and Advantages of Budgetary Control 05

D) Cost Volume Profit Relationship 05