

COST AND MANAGEMENT ACCOUNTING

[Time: 3.00 Hrs.]

[Marks: 80]

N.B. : (1) Question No. 1 is compulsory.

(2) Attempt any three questions from question number 2 to 5.

(3) Working should be part of your answer. Figures to the right indicate marks.

1. (A) Multiple Choice Questions:

(10)

1. Cost which are ascertained after they have been incurred are known as _____.
 - a) Imputed costs
 - b) Sunk costs
 - c) Historical costs
 - d) Opportunity costs
2. While evaluating deviations of actual cost from standard cost, the technique used is _____.
 - a. Regression analysis
 - b. Variance analysis
 - c. Linear progression
 - d. Trend analysis
3. Which of the following does not use process costing .
 - a. Oil refining
 - b. Distilleries
 - c. Sugar
 - d. Air-craft manufacturing
4. A cost per unit which increase or decrease when volume of output increase or decrease is known as _____.
 - a) Fixed cost
 - b) Variable cost
 - c) Semi variable cost
 - d) Total cost
5. A budget that gives a summary of all the functional budget is known as _____.
 - a. Capital Budget
 - b. Flexible budget
 - c. Master budget
 - d. Fixed budget
6. Period cost means _____.
 - a. Variable Cost
 - b. Fixed Cost
 - c. Prime Cost
 - d. Factory Cost
7. In cost volume profit analysis, profit is equal to _____.
 - a) Sales revenue x P/V ratio – fixed cost
 - b) Sales unit x contribution per unit – fixed cost

- c) Total contribution – fixed cost
- d) a, b & c all above
8. Normal Loss is equal to _____.
 - a. Normal output – Actual Output
 - b. Actual Output – Normal Output
 - c. Input x % of normal Loss
 - d. Output x % of normal loss
9. A budget that gives a summery of all functional budget is known as _____.
 - a) Capital Budget
 - b) Flexible budget
 - c) Master budget
 - d) Fixed budget
10. The objective of standard costing is to _____.
 - a) Determined profitability of a product
 - b) Determine break even production level
 - c) Control costs
 - d) Allocate costs with more accuracy

(B) State weather statements are TRUE or FALSE:

(10)

1. Work certified is valued at cost
2. Contribution margin is also known as gross profit.
3. Cash received on contract is credited to contract account.
4. Variance analysis is part of Marginal costing.
5. Invisible waste has no sale value.
6. Fixed budget refers to budget for fixed assets.
7. In absorption costing fixed cost as well as variable costs are charged to products.
8. Overhead variance is nothing but variation in absorption or recovery of overheads.
9. The effect of a price reduction is always to improve the P/V ratio
10. The sale value of the units of abnormal loss is credited to the process account.

- 2.** The following information is available from the books of a contractor relating to a contract for Rs.75,00,000. The Contractee pays 90% of the value of the work done as certified by the architect.

Particulars	2006	2007	2008
Materials	9,00,000	11,00,000	6,30,000
Wages	8,50,000	11,50,000	8,50,000
Direct Expenses	35,000	1,25,000	45,000
Indirect Expenses	15,000	20,000	----
Work Certified	17,50,000	56,50,000	75,00,000
Work Uncertified	---	1,00,000	---
Plant Issued	1,00,000	---	----

The value of plant at the end of 2006, 2007 & 2008 was Rs.80,000, Rs. 50,000 and Rs. 20,000 respectively.

Prepare Contract Account, Work in Progress Account, and Contractee's Account, Show the relevant figures in the Balance Sheet.

(20)

3. (A) Following information has been made available from the cost records of United Automobiles Ltd., manufacturing spare parts. (10)
- | | | |
|--------------------|-------------------------------|------------------------------|
| Direct Materials | X Rs.8 per unit, | Y Rs.6 per unit |
| Direct wages | X 24 hrs @ 25 paise per hour, | Y 16 hrs @ 25 paise per hour |
| Variable Overheads | 150% of wages | |
| Fixed Overheads | Rs.750/- | |
| Selling price | X Rs.25 & Y Rs.20 | |
- The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period.
- 250 units of X and 250 units of Y,
 - 400 units of Y only
 - 400 units of X and 100 units of Y,
 - 150 units of X and 350 units of Y
- State which of the alternative sales mixes you would recommend to the management.

- (B) Z Ltd. Produces and sales a single article at Rs.10 each. The marginal cost of production is Rs.6 each and fixed cost is Rs.400 per annum.

Find Out:

(10)

- P/V Ratio
- The Break-even sales (In Rs. And Number)
- The sales to earn a profit of Rs.500
- Profit at sales of Rs.3,000
- New break even point if sales price is reduced by 10%

4. (A) The Standard Cost of a product Material Cost 2 Kg @ Rs.2.50 each Rs.5 per unit Wages : 2 hours @ 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 @ Rs.1.20 each Rs.21600.

You are required to compute material and labour Variances.

(10)

- (B) For the production of 5000 electrical tubes the following are budgeted expenses:

(10)

Particulars	Per Unit Rs.
Direct Material	60
Direct Labour	30
Direct Expenses	10
Variable Overheads	25
Fixed Overheads (Rs.1,50,000)	30
Selling Overheads (10% Fixed)	30
Administrative Expense (Rs. 20,000 Fixed)	10
Distribution Expenses (20% Fixed)	10
Total Cost of Sales	205

Prepare a budget for production of 3,000 and 6,000 units of electrical tubes.

5. Write short notes (**any FOUR**). **(20)**
- (a) Budgetary Control
 - (b) Tools and Technique of Management Accounting
 - (c) Contract Costing
 - (d) Process Costing
 - (e) P/V Ratio
 - (f) Equivalent production
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