Seat No.: _____ Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY

MBA - SEMESTER–II • EXAMINATION – SUMMER 2013

Subject Code: 820001 **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.**

Q.1 **(a)** With the following data for a 50% activity, prepare a budget at 75% and 100% activity: **07**

Production at 50% capacity	500 units
Materials	Rs.100 per unit
Labour	Rs.50 per unit
Expenses	Rs.10 per unit
Factory Expenses	Rs.50,000 (40% Fixed)
Administration Expenses	Rs.40,000 (50% Fixed)

(b) Define Cost Accounting. Explain the advantages of cost accounting. **07**

Q.2 **(a)** A gang of workers normally consists of 30 men, 15 women and 10 boys. They are paid at standard rates per hour as Man ï Rs.0.80, Woman-0.60, and Boy-Rs.0.40. In a normal working week of 40 hours, the gang is expected to produce 2,000 units of output. During the week ended 31st December, the gang consisted of 40 men, 10 women and 5 boys. The actual wages paid were @Rs.0.70, Rs.0.65 and Rs.0.30 respectively. 1,600 units were produced. Four hours were lost due to abnormal idle time. Calculate: 1. Wage Variance, 2. Wage Rate Variance, 3. Labour Efficiency Variance 4. Idle item Variance 5. Labour Mix Variance and 6. Labour Yield Variance. **07**

(b) What is over-absorption and under absorption? State the reasons for over and under absorption. **07**

OR

(b) The Choice Chemicals Company supplies, you the following details from its cost records: **07**

Particulars	Rs.
Stock of raw material on 1st September, 2012	75,000
Stock of raw material on 30th September, 2012	91,500
Direct Wages	52,500
Indirect Wages	2,750
Sales	2,00,000
Work-in-Progress on 1st September, 2012	28,000
Work-in-Progress on 30th September, 2012	35,000
Purchases of raw materials	66,000
Factory rent, rates and power	15,000
Depreciation on plant and machinery	3,500
Expenses on Purchases	1,500

Carriage outward	1,000
Advertising	5,000
Office rent and taxes	2,500
Travellers Wages and Commission	6,500
Stock of finished goods on 1st September, 2012	54,000
Stock of finished goods on 30th September, 2012	31,000

Prepare a Cost Sheet giving the maximum possible break-up of cost and profit.

Q.3 **(a)** The following direct costs were incurred on Job Nos.555 of Philips Radio Company. **07**

Materials	Rs.6,010
Wages:	
Dept. A-60 hours @ Rs.30 per hr.	
Dept. B-40 hours @ Rs.20 per hr.	
Dept. C-20 hours @ Rs.50 per hr.	
Overhead for these three department were estimated as follows:	
Variable Overheads:	
Dept. A- Rs.15,000 for 1,500 labour hours	
Dept. B- Rs.4,000 for 200 labour hours	
Dept. C- Rs.12,000 for 300 labour hours	
Fixed Overheads:	
Estimated at Rs.40,000 for 2,000 normal working hours.	

You are required to calculate the cost of Job 555 and calculate the price to give profit of 25% on Selling Price.

(b) Write a short note on Batch Costing. **07**

OR

Q.3 **(a)** A Company, manufacturing two products, furnishes the following data for two products: **07**

Products	Annual Output (Units)	Total Machine Hours	Total Number of purchase Orders	Total Number of Set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overhead are as under:

Particulars	Rs.
Volume related activity costs	5,50,000
Set-up related costs	8,20,000
Purchase related costs	6,18,000

You are required to calculate the cost per unit of each product A and B on the basis of Activity Based Costing Method.

(b) What is operating costing? To what industries is this method of costing applicable? **07**

Q.4 **(a)** A product passes through three processes A, B and C. The normal wastage of each process is as follows: Process A-3%, Process B-5% and Process C-8%. Wastage of Process A was sold at 25 paise per unit, that of Process B at 50 paise per unit and that of Process C at Re.1 per unit. **07**

10,000 units were issued to Process A in the beginning of October 2012 at a cost of Re.1 per unit. The other expenses were as follows:

Particulars	Process A	Process B	Process C
Sundry Materials	Rs.1,000	Rs.1,500	Rs.500
Labour	Rs.5,000	Rs.8,000	Rs.6,500
Direct Expenses	Rs.1,050	Rs.1,188	Rs.2,009
Actual Output	9,500 units	9,100 units	8,100 units

Prepare the process accounts, assuming that there was no opening or closing stocks.

(b) What are By-Products? What is the method of accounting for by-product? **07**

OR

Q.4 **(a)** The following costs and sales of a manufacturing company for the first half and second half of 2012-13 are given: **07**

Particulars	First Half	Second Half
Sales	Rs.24,00,000	Rs.30,00,000
Total Costs	Rs.21,80,000	Rs.26,00,000

You are required to determine:

1. Contribution/Sales ratio of the firm
2. Annual Fixed Cots
3. Break-Even Sales
4. Margin of Safety as Percentage of Sales

(b) Define Marginal Costing. State its characteristics. **07**

Q.5 **(a)** A company producing 24,000 units provide you the following information: **07**

Particulars	Rs.
Direct Material	1,20,000
Direct Wages	84,000
Variable Overhead	48,000
Semi-Variable Overhead	28,000
Fixed Overhead	80,000
Total Cost	3,60,000

The product is sold at Rs.20 per unit. The management proposes to increase the production by 3,000 units for sales in the foreign market. It is estimated that the semi-variable overheads will increase by Rs.1,000. But the product will be sold at Rs.14 per unit in the foreign market. However, no additional capital expenditure will be incurred. The management seeks your advice as a cost accountant. What will you advise them?

(b) Give the Cost unit for the following industries: 1. Cement 2. Petroleum 3. Soft Drink 4. Hospital 5. Transport 6. Cotton 7. Hotel 8. Education 9. Carpets 10. Timber 11. Paper 12. Gas 13.Building Construction 14. Interior Decoration **07**

OR

Q.5 **(a)** A company has three production department and two service departments. Distribution summary of overheads is as follows: **07**

Production Department	Service Department
A-Rs.3,000, B-Rs.2,000 and C-Rs.1,000	I-Rs.234 and II-

	Rs.300

The expenses of service departments are charged on percentage basis which is as follows:

Service Department	A	B	C	I	II
I	20%	40%	30%	-	10%
II	40%	20%	20%	20%	-

Find out the total overheads of production departments using:

a) Simultaneous Equation Method and b)Repeated Distribution Method

(b) Explain the objectives and salient features of Statutory Cost Audit in India. **07**

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