| Seat No.: | Enrolment No. |
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GUJARAT TECHNOLOGICAL UNIVERSITY MBA – SEMESTER 2 – EXAMINATION – WINTER 2016

| Subject Code: 2820001 De Subject Name: Cost and Management Accounting (CMA) | | | Date: 20/10/2016 | |
|---|------------|--|------------------|---------------------------|
| - | e: 1 | 0.30 am to 01.30 pm | ccounting (CM | Total Marks: 70 |
| IIISCI (| 1. 2. | Attempt all questions. | - | |
| Q. No. Q.1 (a) | | | | 06 |
| () | Cos | t accounting is an information system de | eveloped for: | |
| | | A. Shareholder | B. | Government |
| 1 | • | C. Management | D. | Financial Institutions |
| | | Contribution minus fixed costs is | _ | |
| 2 | | A. Variable cost | В. | marginal cost |
| | | C. unit cost | D | Profit |
| | | An increase in the variable cost: | _ | |
| 3 | | A. Reduces contribution | B. | Increase in PV ratio |
| | | C. Increases margin of safety | D. | None of the above |
| | | Another name for direct expenses: | | |
| 4 | | A. Period cost | B. | Prime cost |
| • | • | C. Variable cost | D. | Chargeable cost |
| 5 | | An input of 2500 kgs. of material intr normal loss is 8% and if the actual ou | - | <u>=</u> |
| 3 | • | abnormal loss is kgs. A. 200 | В. | 150 |
| | | A. 200 C. 250 | D. | 300 |
| | | BEP Means | D. | 300 |
| | | A. Profit | B. | Loss |
| 6 | | C. Profit & Loss | D. | No Profit & |
| | | | | No Loss |
| Q.1 | (b) | 1. Define Cost Accounting | | 04 |
| | ` , | 2. List down the steps in Costing | Procedure | |
| | | 3. Define Normal and Abnormal | | |
| | | 4. Draw the chart for BEP | | |
| Q.1 | (c) | Write note on various elements of Dir | rect cost | 04 |
| Q.2 | (a) | Discuss Benefits and Limitations of C | Cost Accounting. | 07 |

(b) The following particular relate to a new machine purchased:

Purchased price of machine Rs. 400,000 Installation expenses Rs. 100,000 Rent per quarter Rs. 15000 General lighting for the total area Rs. 1000 p.m Foremen salary Rs. 30,000 p.a. Insurance premium for the machine RS. 3000 p.a. Rs. 5000 p.a. Estimated repairs for the machines Estimated consumable store Rs. 4000 p.a.

Power – 2 units per hour at Rs. 50 per 100 Units

Estimated life of the machine is 10 years and the estimated value at the end of the 10 year is Rs. 100,000. The machine is expected to run 20000 hours in its life time. The machine occupies 25% of the total area. The foremen devotes 1/6 of his time for the machine. Calculate the machine hour rate for the machine.

OR

(b) The following direct costs were incurred on Job No. 415 of Standard Radio Company.

Materials Rs. 6010

Wages:

Deptt: A - 60 hours @ Rs. 30 per hr

 $B-40\ hours\ @\ Rs.\ 20\ per\ hr$

C-20 hours @ Rs. 50 per hr

Overhead for these three departments were estimated as follow:

Variable overheads:

Deptt: A - Rs 15000 for 1500 labour hours

 $B-Rs.\ 4000$ for 200 labour hours

C – RS. 12000 for 300 labour hours

Fixed overheads:

Estimated at Rs. 40000 for 2000 normal working hours.

You are required to calculate the cost of Job 415 and calculate the price to give profit of 25% on selling price.

Q.3 (a) Discuss the various characteristics of Activity Based Costing. 07

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(b) A product passes through three processes A, B, and C. the normal wastages of each process is as follows.

| Process | Wastages (%) | Sold for (per unit) |
|---------|--------------|---------------------|
| A | 3 | Rs. 0.25 |
| В | 5 | Rs. 0.50 |
| С | 8 | Rs.1 |

10,000 units were issued to process A in the beginning of October 2015 at a cost of Rs. 1 per unit. The other expenses were as follows:

| | Process A | Process B | Process C |
|---------------|------------|------------|------------|
| Sundry | Rs. 1000 | Rs 1500 | Rs 500 |
| Materials | | | |
| Labour | Rs 5000 | Rs 8000 | Rs 6500 |
| Direct | Rs1050 | Rs 1188 | Rs 2009 |
| Expenses | | | |
| Actual Output | 9500 units | 9100 units | 8100 units |

Prepare the process accounts, Abnormal wastages and Abnormal Gain Accounts.

OR

- Q.3 (a) Describe the important advantages of Standard costing.
 - From the following data relating to two different vehicles A and B, compute the cost per running mile:

| | Vehicle A | Vehicle B |
|-----------------------------|---------------|-------------|
| Mileage run (annual) | Rs. 15000 | Rs. 6000 |
| Cost of vehicle | Rs. 25000 | Rs. 15000 |
| Road License (Annual) | Rs. 750 | Rs. 750 |
| Insurance (Annual) | Rs. 700 | Rs. 400 |
| Garage rent (Annual) | Rs. 600 | Rs. 500 |
| Supervision and Salary | Rs. 1200 | Rs. 1200 |
| Driver's wages per hour | Rs. 3 | Rs. 3 |
| Cost of Fuel per gallon | Rs. 3 | Rs. 3 |
| Mile run per gallon | 20 miles | 15 miles |
| Repairs and maintenance per | Rs. 1.65 | Rs. 2 |
| mile | | |
| Tyre allocation per mile | Rs. 0.80 | Rs. 0.60 |
| Estimated life of Vehicle | 100,000 miles | 75000 miles |

Charge interest at 5% p.a. on cost of vehicles. The vehicles run 20 miles per hour on an average.

Q.4 (a) Differentiate the Process Costing and Job Costing

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(b) X, Y and Z are the three joint products in a factory. Their joint cost is Rs. 30,000. Quantities produced are as follows:

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X 1000 Y 400 Z 600

On the basis of technical evaluation, points allotted to X, Y and Z products are 3.2%, 5% and 8% respectively. Apportion the joint cost.

Discuss the various characteristics of marginal costing. 07 0.4 (a) 07

The following information is given: **(b)**

> Sales Rs. 200,000 Variable Rs. 120,000

Fixed Cost Rs. 30,000

Calculate: (A) Break Even Point

(B) New BEP if Variable cost increases by 10%

Show both the results in a single graph.

Q.5 The following information is available from the cost records of 14

14

Novel & Co. for the month of March.

Material Purchased 20000 units Rs. 88000 Material consumed Rs. 19000 Rs. 24750 Actual wages paid for 4950 hours

Units produced 1800 units

Standard rates and pieces are:

- 1. Direct Material rate is Rs. 4.00 per unit, standard input is 10 numbers for one unit.
- 2. Direct labour rate is Rs. 4 per hour, standard requirement is 2.5 hours per unit.

You are required to compute all material and labour variances for the month of March.

OR

A department of Tek India Company attains sales of Rs. 600000 at **Q.5** 80% of its normal capacity. Its expenses are give below:

> Office Salaries Rs. 90000 General Expenses 2% of sales Depreciation Rs.7500 Rent and Rates Rs.8750

Selling Costs:

Salaries 8% of Sales Travelling expenses 2% of sales Sales office 1% of sales General Expenses 1% of sales

Distribution Costs:

Rs. 15000 Wages Rent 1% of sales Other Expenses 4% of sales

Draw up flexible Administration, selling & Distribution costs budget, operating at 90%, 100% and 110& of normal capacity.
