Enrolment No._____

GUJARAT TECHNOLOGICAL UNIVERSITY MBA - SEMESTER-II • EXAMINATION – WINTER 2013

Subject Code: 2820001Date: 23-12-2013Subject Name: Cost and Management Accounting (CMA)Time: 02.30 pm - 05.30 pmInstructions:

- 1. Attempt all questions.
- 2. Make suitable assumptions wherever necessary.
- 3. Figures to the right indicate full marks.
- 4. Each question carry equal marks (14 marks)
- Q.1 (a) What do you mean by Management Accounting? How will you differentiate the 07 functions of Controller and Treasurer?
 - (b) HP (India) Ltd. manufactures the Laser Printer. The company has two divisions 07 AB and CD manufacturing the Printer and Cartridge respectively. AB division has monthly capacity of 5,000 printers and CD division has monthly capacity of 8,000 cartridges. AB division requires one cartridge per printer. CD division sells cartridges to outside dealers also, after transferring the required cartridges to AB division. Cost details of cartridge are:

Material cost per unit [Rs.]	80
Labour Cost per unit [Rs.]	70
Variable Overheads per unit [Rs.]	30
Divisional Fixed Cost per month[Rs.]	2,00,000
Capital Employed [Rs.]	20,00,000
Cost of Capital	18% per annum

For the month of May 2013, AB division will work at 80% capacity and CD division will work at full capacity. Manager of CD division wants to earn residual income for the month of May Rs.3,00,000. Company charges selling price Rs. 300 per cartridge from outside customers.

You are required to find out the minimum transfer price to transfer necessary cartridges to division AB for the month of May 2013.

- Q.2 (a) With a hypothetical example, prepare a complete cost sheet showing: Flat Cost, 07 Cost of Operations, Factory Cost, Cost of Production, Cost of Production of Goods Sold and Cost of Sales.
 - (b) Write a detailed note on Batch Costing and Economic Batch Quantity. 07

OR

(b) What do you mean by Operating Costing? Explain characteristics, features and 07 types of cost units used in operating costing.

Q.3 (a) Lion Bros. provides you following information for the Job M007: Material Requirement:
1,000 units of 'A' @ Rs. 2 each
2,000 units of 'Z' @ Rs. 5 eash
Labour Costs:
35 hours @ Rs. 20 per hour in Department A
32 hours @ Rs. 15 per hour in Department Z.
Variable Overheads:
Department A: Rs. 32,500 for 10,000 labour hours
Department Z: Rs. 30,500 for 5,000 labour hours
Fixed Overheads:
Rs. 60,000 for 10,000 working hours.
You are required to decide the selling price of Job M007 so that company can earn 25% profit on selling price.

- (b) Write short notes on:
 - (I) Activity Based Budgeting
 - (II) Types of Costing Systems

OR

- Q.3 (a) What do you mean by Planning, Programming and Budgeting System (PPBS)? 07 Explain with stages and advantages of it.
 - (b) Mr. Bin is appointed in Finance Department of Kingfisher Ltd. He is asked to 07 calculate the cash requirement in the beginning of second quarter July 2013. He has been provided the following information of the first quarter of 2013:

Particulars	April (Rs.)	May (Rs.)	June (Rs.)
Sales	5,00,000	8,00,000	10,00,000
Purchases	2,50,000	3,50,000	4,50,000
Overheads	50,000	75,000	1,00,000
Salaries	80,000	85,000	90,000
Other Expenses	50,000	35,000	50,000

80% sales of the company is credit and company allows one month credit period to their debtors. Similarly 60% purchases are credit and company enjoys one month credit period from the suppliers. Overheads includes depreciation charge of Rs. 40,000 per month. Salaries are paid on the last day of each month. Remaining overheads and other expenses are also paid in the month for which they relate.

Closing balance of April 2013 was Rs. 1,50,000. In the month of May company wants to maintain minimum closing cash balance of Rs. 4,00,000. Any deficit will be financed through bank borrowings in the multiples of Rs. 10,000 if a need arises, interest @ 18% per annum and will repay in next month.

You are required to help Mr. Bin to find out the opening balance for July 2013.

07

07

Q.4 (a) Sunrise Ltd manufactures two products – Sun and Moon, using the same 07 equipment and similar processes. The following information is extracted from the production department pertaining to the two products for the year ending March 2013:

Particulars	Sun	Moon
Quantity Produced (units)	10,000	15,000
Direct labour hour per unit	2	4
Machine hours per unit	3	1
Number of setups in the period	20	80
Number of orders handles in the period	30	120

Total production overheads recovered for the period has been analysed as under:

Particulars	Rs.
Relating to machine activity	4,50,000
Relating to production run setups	40,000
Relating to handling of orders	90,000

You are required to calculate the production overheads to be absorbed by each unit of the products using the following costing methods:

- (I) Traditional costing approach using a direct labour hour rate to absorbed overheads; and
- (II) An ABC approach, using suitable cost drivers to trace overheads to products.
- (b) Annapurna Catering Services engaged in providing catering services in social 07 events. Mrs. Annapurna, the manager of the firm has received an order to provide a service in a wedding. Estimated expenses for this wedding event are as under:

Estimated number of dishes 1,500

Wages to chefs [two chefs] Rs. 1,200 each

Wages to waiters [20 waiters] Rs. 300 each

Wages to cleaners [10 cleaners] Rs. 150 each

Uniform allowance to chefs and waiters Rs. 50 each

Transportation allowance to chefs, waiters and cleaners Rs. 100 each

Flour and Maida [500 kg] Cost Rs. 18 per kg

Rice, dal and other material Rs. 8,000

Ghee and oil cost Rs. 12,000

Vegetables Rs. 25,000

Spices Rs. 12,000

Depreciation of utensils Rs. 5,000

Disposable glass and dishes Rs. 10,000

Transportation charges Rs. 2,500

LPG cylinder and other fuel charges Rs. 5,000

Sugar Rs. 5,600

Milk and milk products Rs. 6,000

Sweets Rs. 15,000

Electricity Rs. 1,200

Misc. Expenses Rs. 10,000

Mrs. Annapurna wants to decide the rate of dish in such a way so that she can earn 30% profit on cost. You are required to find out rate per dish.

Jolly Bros. produces a product 'YRU' which requires three distinct processes - 07 **Q.4** (a) 101, 202 and 303 respectively and then it transfers to finished stock account. Following data is extracted from the process account 202 for the month of May 2013: Opening stock of material: 500 units @ Rs.40 per unit Transfer from process 101: 5,000 units @ Transfer Price of Rs. 45 per unit. Other material purchased from outside: 2,500 units @ Rs. 47 per unit. Defective other material returned to supplier: 500 units Closing stock of material: 300 units [LIFO method] Labour charges: Shop A: 200 hours @ Rs. 50 per hour Shop B: 300 hours @ Rs. 80 per hour Other departmental overheads Rs. 30,000 Normal loss is estimated @ 20% of net input, which is salable @ Rs. 20 per unit. Material transferred to Process 303: 5,800 units From the above information, you are required to prepare necessary process account, normal loss account and abnormal gain/loss account. From the following information relating to the machine – Shaktiman, installed 07 **0.4 (b)** in Kapoor Ltd.; work out the machine hour rate: Purchase price of machine with zero scrap value Rs. 90,000 Installation charges Rs. 10,000 Life of machine: 10 years [2,000 working hours in each year] Repair charges: 50% of depreciation It consumes 10 units of electricity @ 10 paisa per unit Oil expense Rs. 2 per day [per day 8 hours] Consumable stores Rs. 10 per day [per day 8 hours]

- Q.5 (a) Navneet Ltd. sells a book at Rs. 15 per book. In the month of April, company 07 sold 8,000 books and incurred a loss of Rs. 5 per unit. In the month of May, company sold 20,000 books and earned a profit of Rs. 4 per unit. Calculate the breakeven point in terms of rupees as well as in units. 07
 - (b) What is CVP Analysis? Explain its uses and limitations.

OR

- (a) Distinguish between Budgetary Control and Standard Costing. 0.5
 - (b) Calculate the variances from the following information and give your 07 comments:

Particulars	Standard	Actual
Material	400 kgs @ Rs. 2 kg	420 kgs @ Rs. 2.1 kg
Skilled Labor	80 hrs @ Rs. 1.5 hr.	70 hrs @ Rs. 1.5 hr
Unskilled Labor	600 hrs @ Rs. 0.90 hr	600 hrs @ Rs. 0.90 hr

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