NCRD's Sterling Institute of Management Studies,

Nerul, Navi Mumbai

SEMESTER END EXAMINATION MMS SEM II April 2016
Sub: - Cost And Management Accounting

Date: 25.04.2016 | **Time: 11am to 2.00 pm**
Day: Monday | **Marks: 60 Marks**
Roll No:

Instructions: Question No. 1 is compulsory. (Total 20 Marks)
Attempt Any Four Questions from the Rest. (Total 40 Marks)

Section I

Q No.1 (A) The following information relates to a company for the half year ending 31st December 2009 is available to you:

Purchase of raw material	Rs.120,000
Rent, rates, Insurance of factory	Rs.40,000
Direct wages	Rs.100,000
Carriage inwards	Rs.1,440
Stocks (01,july 2009)	
Raw Material	Rs.20,000
Finished product (1,000 tons)	Rs.16,000
WIP	Rs.4,800
Stocks (31,Dec. 2009)	
Raw Material	Rs.22,240
Finished product (2,000 tons)	Rs.32,000
WIP	Rs.16,000
Sales of finished product	Rs.300,000
Cost of factory supervision	Rs.8,000

The advertising discount allowed and selling costs are Rs.1 per ton sold. 16,000 tons of the product were produced during the period. Calculate the total profit and the cost of sales of the product for the period by preparing a cost sheet.

(B)The following data relates to a company for the month of March 2009:

i. Direct material used	Rs.847
ii. Opening stock of finished goods	?
iii. Closing stock of finished goods	Rs.94

iv. Direct Labour cost	Rs.389
v. Manufacturing overheads	?
vi. Cost of goods produced	Rs.1878
vii. Cost of goods sold	?
viii. Cost of goods available for sale	Rs.1949

Find the missing items.

Section II

Q No 2 A company producing a single article sells it at Rs. 10 each. The marginal cost of production is Rs. 6 each and fixed cost is Rs. 400 per annum. You are required to calculate the following:

Attempt any two out of A,B,C

(A)

- P/V ratio and Breakeven sales
- Profits for annual sales of 50 units, 100 units and 400 units
- New breakeven point if Fixed cost is reduced by 10%

(B)

- Sales to earn a profit of Rs. 500
- Profit at sales of Rs. 3,000
- Margin of safety at sales of 400 units and Rs. 6000.

(C)

- New breakeven point if sales price is reduced by 10%
- New breakeven point if variable cost is reduced by 10%

Q No.3 Rani and Co. manufactures automobile accessories and parts. The following are the total processing costs for each unit.

	(Rs.)
Direct material cost	5,000
Direct labour cost	8,000
Variable factory overhead	6,000
Fixed cost	50,000

The same units are available in the local market. The purchase price of the component is Rs. 22,000 per unit. The fixed overhead would continue to be incurred even when the component is bought from outside, although there would be reduction to the extent of Rs. 2,000 per unit. However, this reduction does not occur, if the machinery is rented out.

Attempt any two out of A,B,C

Required:

(A) Should the part be made or bought, considering that the present capacity when released would remain idle?

(B) In case, the released capacity can be rented out to another manufacturer for Rs. 4,500 per unit, what should be the decision?

(c) If the purchase price is reduced to Rs. 20,000 per unit, **should the part be made or bought,** considering that the present capacity when released would remain idle.

Q No. 4 The Union Transport Company has been given a twenty kilometer long route to run a bus. The bus costs the company Rs. 1,00,000. It has been insured at 3% per annum. The annual road tax amounts to Rs. 2,000. Garage rent is Rs. 400 per month. Annual repair is estimated to cost Rs. 2,360 and the bus is likely to last for five years.

The salary of the driver and the conductor is Rs.600 and Rs. 200 per month respectively in addition to 10% of takings as commission to be shared equally by them. The manager's salary is Rs.1,400 per month and stationery will cost Rs. 100 per month. Petrol and oil cost Rs. 50 per 100 kilometers. The bus will make three round trips per day carrying on an average 40 passengers in each trip. The bus will run on an average 25 days in a month.

Attempt any two out of A,B,C

(A) Calculate total passenger Kilometer on a full year basis

(B) Prepare operating cost statement on a full year basis

(B) Assuming 15% profits on takings calculate the bus fare to be charged from each passenger per kilometer.

Q No 5. A product is finally obtained after it passes through three distinct processes. The following information is available from the cost records.

	Process I Rs.	Process II Rs.	Process III Rs.	Total Rs.
Materials	5,200	3,960	5,924	15,084
Direct Wages	4,000	6,000	8,000	18,000
Production Overheads				18,000

1,000 units @ Rs. 6 per unit were introduced in process I. Production overheads are absorbed as a percentage of direct wages.

The actual output and normal loss of the respective processes are given below:

	Output (Units)	Normal loss as a percentage of input	Value of scrap (per unit)
Process I	950	5%	Rs. 4
Process II	840	10%	Rs. 8
Process III	750	15%	Rs. 10

Attempt any two out of A,B,C

(A)Prepare the process accounts and I

(B)Prepare the process accounts and II

© Prepare the process accounts and II if normal loss is reduced to 7%

Q. No.6 The expenses budgeted for production of 10,000 units in a factory are furnished below:

	Rs. per unit
Material	50
Labour	35
Variable Overheads	25
Fixed overheads (Rs.I0,0000)	10
Variable expenses (direct)	08
Selling expenses (10% fixed)	15
Distribution expenses (20% fixed)	07
Administration expenses (Rs.50,000)	05
Total	155

Prepare a budget (flexible) for the production assuming that administration expenses are rigid for all levels of production.

Attempt any two out of A,B,C

(A) 8000 units
(B) 6000 units
(C) 12000 units

Q. No.7 Attempt any two out of A,B,C

(A)What do you understand by the terms "Budget and Budgetary control"?
(B)What are the advantages of budgetary control"?
© Define Transfer pricing with the help of example.

Q No.8 Write short notes- **Attempt any two out of A,B,C**

(A) Responsibility accounting
(B) Cost reduction & cost control
(C) Items to be excluded while preparing cost sheet