MCom I Sem. I Oct. 2016

Cost & Management Accounting

QP Code : 804301

(2 Hours) **[Total Marks : 60**

N. B. : (1) **All** questions are **compulsory** carrying **equal** marks
(2) Use of simple calculator is permitted.
(3) Support your answer with required working notes.
(4) Round off upto two decimal points.

1. The Sun Transport operates a fleet of lorries. The records for lorry L-12 reveals the following information for September 2016 **15**

Days maintained - 30
Days operated - 25
Total hours operated- 300 hours
Total kilometers covered- 2500 kms
Total tonnes carried- 200 (4 tonnes load per trip, return journey empty)
Other Information

A. Operating Costs per month- Petrol Rs. 400/- Oil Rs. 170/- Grease Rs. 90/- Wages to driver Rs. 550
Wages to cleaner Rs. 350/-
B. Maintenance Costs for the month- Repairs Rs. 170/- Overhaul Rs. 60/- Tyres Rs. 150/Garage charges Rs. 100/-
C. Interest Rs. 40/- License tax Rs. 80/- Insurance Rs. 50/- other fixed overheads - Rs. 190/-
D. Capital Costs- Cost of acquisition Rs. 54,000/- residual value at end of 5 years Rs. 36,000/-

Prepare a Cost sheet and Performance statement showing

1. Cost per day maintenance
2. Cost per day operated
3. Cost per kilometer
4. Cost per hour
5. Cost per commercial tonne kms

OR

1. LSK Ltd manufactures a simple product the standard mix is as follows **15**

Material L- 60%@ Rs. 30/kg
Material S - 40% @ Rs. 15/kg
Normal loss in production is 20% of total input. Due to shortage of Material L the Standard mix was changed and actual results are as below -
Material L- 210 kgs @ Rs. 30/kg

[TURN OVER

Material S - 190kgs @ Rs. 13/kg
Input - 400 kgs
Loss -70 kgs
Output- 230 kgs
Calculate all the material variances.

2. AB Ltd. is currently operating at 75% capacity and producing 75,000 units. In the past two years, level of operations was 55% and 65% respectively. The company is planning for 85% capacity level during 2017-18. The cost details are as follows: **15**

Particulars	55% (Rs)	65% (Rs)	75% (Rs)
Direct materials	11,00,000	13,00,000	15,00,000
Direct labour	5,50,000	6,50,000	7,50,000
Factory overheads	3,10,000	3,30,000	3,50,000
Selling overheads	3,20,000	3,60,000	4,00,000
Administrative overheads	1,60,000	1,60,000	1,60,000

Profit is estimated @20% on sales
The following increase in costs is expected during the year 2017-18:
a. Direct material - 8%
b. Direct labour- 5%
c. Variable factory overheads - 5%
d. Variable selling overheads - 8%
e. Fixed factory overheads - 10%
f. Fixed selling overheads - 15%
g. Administrative overheads - 10%

Prepare flexible budget for the period 2017-18 at 85% level of capacity and also ascertain profit.

OR

2. From the following information, prepare Cash Budget of a company: **15**

Particulars	1st quarter (Rs.)	2nd quarter (Rs.)	3rd quarter (Rs.)	4th quarter (Rs.)
Opening cash balance	10,000	-	-	-
Collection from customers	1,25,000	1,50,000	1,60,000	2,21,000
Payments:				
Purchase of materials	20,000	35,000	35,000	54,200
Other expenses	25,000	20,000	20,000	17,000
Salary and wages	90,000	95,000	95,000	1,09,200
Income tax	5,000	-	-	-
Purchase of machinery	-	-	-	20,000

All sales are on credit basis. The company desires to maintain cash balance of Rs 15,000 at the end of each quarter. Cash can be borrowed or repaid in multiple of Rs 500 at an interest of 10% per annum. The company does not want to borrow cash more than what is required and wants to repay as early as possible. Interest is paid when the principal is repaid. Assume that borrowings take place at the beginning and repayments are made at the end of quarter.

3. Kohler & Co. manufactures a single product at a marginal cost of Rs. 120, having selling price of Rs. 200 and bears fixed costs of Rs. 8,000 annually. **15**
Calculate:
   (a) Contribution per unit;
   (b) Profit-volume ratio;
   (c) Break-even point both in units and value;
   (d) Profit at a sales of 300 units;
   (e) Sales required to earn a profit of Rs. 32,000;
   (f) Margin of safety (in units, value & percentage) at 200 units;
   (g) Revised break-even sales (units & Rs.) if selling price is reduced by 10%

OR

3. Arihant Ltd. is annually producing 25,000 tablets of 'Gasolene' having selling price of Rs. 10, at a marginal cost of Rs. 6 on a machine and using, inter-alia, raw material 'B' being consumed @ 10 gms. per tablet and costing Rs. 2 per 10 gms. **15**

The company has received a proposal of self-manufacturing the material 'B' at Re. 1 per 10 gms. by partly using the machine presently being used for producing 'Gasolene'. By doing so, it shall loose production of 5,000 tablets annually on account of the machine being partially occupied in manufacture of material 'B'.

Advise the company whether it should continue buying material 'B' being bought from outside as it is doing at present or whether it should start manufacturing 'B ', substantiating your advice with appropriate workings and reasons.

4. (A) Rewrite the entire sentence selecting the most appropriate alternative with the given serial no.s without altering the order / sequence : **8**

1. Fixed costs are fixed ________.
(totally / per unit / both of these).

2. For a monthly budget to be prepared for 6 consecutive months, Bank overdraft i.e. temporary finance as may be required ________ be worked out at once for all 6 months simultaneously
(can / cannot / may).

3. Depreciation accounting will ________ effected in Cash budget
(be / not be).

4. ________ is the cost centre or cost unit in transport costing
(passenger-kms./ tonnekms. / room-days).

5. ________ is the cost centre or cost unit in hotel costing
(passenger-kms./ tonne-kms. / room-days).

6. In a Tour by Bus business, the fuel cost will depend upon ______.
(passanger-kms. / kilometers / total enterprise's investment).

7. The ________ factor is known as the key factor
(most scarce / least scarce / most liked).

[TURN OVER

8. ________ will be Standing costs for a Tourism business (Fuel / Insurance /Oil and accessories).

(B) Match the following by rewriting the columns A & B by matching on an overall most appropriate basis: **7**

A	B
1. Fixed costs	a) Only in quantity terms
2. Partly fixed, partly variable costs	b) Variance analysis
3. Production budget	c) Charges per room-days
4. Cash budget	d) Sunk costs
5. Checking of reality with estimates	e) Preceeds Production budget
6. Constant per unit	f) Semi-variable costs
7. Purchase budget	g) Variable costs
	h) Depreciation to be ignored
	i) Succeeds production budget
	j) Depreciation to be taken into account

OR

4. Write short notes on any **three** **15**
   1. Marginal Costing
   2. Overhead Variance
   3. Need for budgetary control
   4. Flexible Budget
   5. Operating costing of hotel.