Paper / Subject Code: 71803 / Cost & Management Accounting

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

Instructions:

i. All questions are compulsory and subject to internal choice.
ii. Figures to the right indicate full marks.
iii. Make suitable assumptions whenever required and state them.
iv. Use of simple calculator is allowed.

Q1.

A) TVS Tyres Ltd had budgeted production of 10,000 units. The expenses are as follows: **[15 Marks]**

Particulars	Cost Per Unit (Rs.)
Materials cost	70
Wages cost	25
Direct Expenses	5
Variable Overheads	20
Fixed Overheads (Rs.1,00,000)	10
Administrative Overheads (Rs. 50,000) (100% fixed)	5
Selling Overheads (10% Fixed)	13
Distribution Overheads (20% Fixed)	7

Prepare a Flexible Budget for the production of 6,000 units, 8,000 units and 10,000 units showing Variable Cost, Fixed Cost in Total and Cost Per Unit at each level of production.

OR

Q1.

B) **[15 Marks]**

The following information is extracted from various functional budgets prepared for Ajanta Ltd. You are required to prepare a cash budget for three months ending 30th June, 2022.

Months	Sales	Materials	Wages	Overheads
February	3,00,000	1,88,000	60,000	32,000
March	3,00,000	1,80,000	60,000	36,000
April	4,00,000	1,80,000	64,000	40,000
May	5,00,000	2,00,000	72,000	44,000
June	3,60,000	2,20,000	80,000	48,000

1. Cash and Bank balance on 1st April, 2022 is expected to be Rs. 1,60,000
2. Credit terms are Sales/Debtors - 20% sales are on cash, 50% of the credit sales are collected in next month and the balance in the following month.
3. Credit extended are as follow:
   Creditors - 2 months,
   Wages 1/4 month and
   Overheads 1/2 month
4. Machinery at a cost of Rs. 10,00,000 will be installed in February 2022. The instalment amount of Rs. 50,000 p.m. are payable from April, 2022 onwards.
5. Annual interest at the rate of 10% p.a. is provided on a Bank Loan of Rs. 12,00,000, which will be paid on 1st June, 2022.
6. Advance of Rs. 1,40,000 is to be received from the sale of assets in June, 2022.

Q2.

A) [15 Marks]

Product	Standard			Actual		
	SQ	SP	SC	AQ	AP	AC
X	800	50	40,000	840	45	37,800
Y	400	20	8,000	480	25	12,000
Z	200	15	3,000	180	15	2,700
*	**1,400**	*	**51,000**	**1,500**	*	**52,500**
Normal Loss	50	*	*	150	*	*
Total	**1,350**	*	**51,000**	**1,350**	*	**52,500**

From the above information calculate the following variances:

a. Material Cost Variance
b. Material Price Variance
c. Material Usage Variance
d. Material Mix Variance
e. Material Yield Variance

OR

Q2.

B) Mr Vikram runs Hotel Deluxe which has 20 rooms and each room has a maximum capacity of 4 beds. 80% of the rooms were fully occupied for the whole year and 20% of the rooms were occupied by the customer to the extent of 50% of the room capacity. Assume a year comprises of 360 days. The following costs were incurred during the year ended 31-12-2022.

Particulars	Rs.
Salaries to Staff	3,00,000
Rates and Taxes	2,95,600
Electricity	3,20,000
Depreciation on Building Furniture Equipment	 1,80,000 30,000 40,000
Sundry Expenses	76,000

A room attendant is paid @ Rs. 36 per day per room when occupied.
Food cost Rs.30 per customer per day.

Ascertain the amount to be charged per customer per day to cover both, accommodation and food costs, plus profit @ 10% return on capital employed which is Rs. 31,36,000.

[15 Marks]

Q3.

A) Following is the cost structure of an engineering product manufactured by NICO Ltd.

Particular	Amount Rs. (Per Unit)
Material	2,000
Labour	500
Variable Overheads	500
Fixed Overheads	1000
Total Cost	4,000
Profit	1,000
Sales Price	5,000

The above cost structure is based on 50,000 units p.a. The company propose to reduce the selling price per unit but want to keep the total profit intact.

You are required to prepare profitability statement showing the position, if selling price is reduced by 15% and selling price is reduced by 20% **[15 Marks]**

OR

Q3.

B) The Asian Industries specialize in the manufacture of small capacity motors. The Cost Structure of a motor is as under:

Material Rs. 50
Labour Rs. 80
Variable overheads 75% of labour cost.
Fixed overheads of the company amount to Rs. 2.4 lakhs per annum.
The sale price of the motor is Rs. 230 each

(i) Determine the number of motors that have to be manufactured and sold in a year in order to achieve break-even

(ii) How many motors will have to be made and sold to make a profit of Rupees One Lakh per year?

(iii) If the sale price is reduced by Rs. 15 each, how many motors will have to be sold to achieve break-even? **[15 Marks]**

Q4.

A) Multiple Choice Questions: **[8 Marks]**

1. The entire budget of the organization is controlled and headed by the senior executive known as ________.
   a. General Manager
   b. Accountant
   c. Executive Manager
   d. Budget Controller
2. Budget period depends on ____________
   a. Technical Policy
   b. Government policy
   c. Social policy
   d. Management policy

3. Standard cost is a ________
    a. pre-determined cost
    b. profit variable
    c. Fixed cost
    d. Variable cost
4. Sales Value Variance is said to be favourable when________
    a. actual sales are less than budgeted sales
    b. actual sales are more than budgeted sales
    c. When actual sales are equal to budgered sales
    d. Actual price is more than budgeted price
5.______ organisations should not be advised to use service costing.
    a. Distribution service
    b. Hospital
    c. The maintenance division of a manufacturing company
    d. A light engineering company
6. If the profit is 50% of the operating cost, it is .... of the invoice price.
    a. 20%
    b. 25%
    c. 16.66667%
    d. 33.33334%
7. BEP is the point at which there is _____ profit and _____ loss.
    a. Minimum, maximum
    b. No, No
    c. Maximum, minimum
    d. Fixed, Variable
8. Make or buy decision arise when a company with unused production capacity considers ________
    a. to use available capacity to produce the items within the company
    b. to import goods from foreign market
    c. to use the existing production facility
    d. to avoid taxes on purchase of goods

Q4.

B) True or False: **[7 Marks]**

1. Total budgeted fixed costs appearing on a flexible budget will be the same amount as total fixed costs on the master budget.
2. The use of budgets in controlling operations is known as budgetary control.
3. Overhead Variance is nothing but variation in the absorption or recovery of overheads.
4. Revised Standard Quantity for each input is required to be computed for calculating Material Price Variance.
5. Details of the journey is shown by the daily log sheet.
6. Taxes is a fixed cost in the operating cost statement.
7. The profit calculated under absorption costing and marginal costing is always equal.

OR

Q4.

C) Write short notes: (Any Three) [15 Marks]

a. Angle of incidence
b. Standard Costing v/s Budgetary Control
c. Overhead Variances
d. Sales Budget
e. Operating Costing of Transport Services
