**Asian School of Management and Technology**

(Affiliated to Tribhuvan University)

Gongabu, Kathmandu

**Full Marks: 100**

**Time: 3 Hrs.**

**SET A**

**Preboard Examination 2081**

**BIM / Fourth Semester / ACC 202: Cost and Management Accounting**

***Candidates are required to answer the question in their own words as far as practicable.***

**Group "A"**

#### **Brief Answer Questions (Attempt ALL Questions) (10x2)**

1. State any two features of cost accounting
2. What is perpetual inventory system?
3. Define semi variable cost with examples.
4. Write about avoidable and unavoidable cost with examples.
5. Write any two features of good remuneration/wage system.
6. Following information are given:

EOQ 4,000 (units)

Ordering cost per order Rs.160

Carrying cost per unit Rs.2

**Required:** Annual requirements

1. The standard time fixed for a job is 10 hours. The hourly rate of guaranteed wages is Rs. 16. The worker get Rs. 144 under Halsey plan.   
   **Required**: Time saved by the worker
2. The following information is provided in respect of AG & Co.

|  |  |  |
| --- | --- | --- |
| Machine Hours | 1,000 | 7,000 |
| Total Semi Variable Cost | 10,000 | 22,000 |

**Required:** Total estimated cost for 5,000 machine hours.

1. The following information of a manufacturing company are presented below:

Actual hours worked 2,900

Fixed overhead (4,000 hours Normal Capacity) Rs.32,000

Actual production 50 units

Standard hours per unit 60

Standard overhead rate per standard hour Rs.20

Actual overhead incurred Rs.65,000

**Required:** Overhead Spending Variance

1. The following information is available in respect of a material.
   * Maximum stock level = 8,000 units
   * Minimum consumption = 400 units
   * Average consumption = 500 units
   * Delivery period = 6 days – 10 days
   * Re-order level = 6,000

**Required**: Reorder quantity

## **Group "B"**

#### **Short Answer Questions (attempt any SIX questions) (6x5=30)**

1. What is flexible budget? Mention its features.
2. What are the limitations of cost volume profit analysis?
3. Differentiate between Variable costing and absorption costing.
4. The details of cost and other information relating to departments A and B are as under:

|  |  |  |
| --- | --- | --- |
| Particulars | Dept A | Dept B |
| Direct materials cost Rs. | 40,000 | 50,000 |
| Horse power | 70 | 50 |
| Number of workers | 30 | 20 |
| Number of Light points | 10 | 20 |
| Labour Hour | 3000 | 2000 |

Other information are:

Motive Power Rs 24,000

Lighting and heating Rs 30,000

Store related cost Rs 45,000

Canteen expense Rs 60,000

**Required:**

* Total overhead for the production department A and B.
* Labour hour rate. (4+1=5)

1. Following information are given to you:

|  |  |  |
| --- | --- | --- |
| **Standard:**  Material | Quantity | Standard Price per kg |
| A | 40% | Rs.20 |
| B | 60% | Rs.30 |
| **Actual:**  Material | Quantity | Actual Cost |
| A | 70 kg | Rs.1,470 |
| B | 130 kg | Rs.4,160 |

Standard Loss is 10% and Actual output is 185 kg

**Required:** Possible material variances

1. ABC Manufacturing Company has sufficient idle capacity therefore; it would like to see the possibility of manufacturing a component used in its final products. The company has been buying the component from the outside suppliers at the rate of Rs.20. The other data have been presented below:

Annual need 25,000 units

Cost estimate for one unit:

Raw material Rs.9

Direct labour Rs.7

Manufacturing overheads Rs.8

#### Rs.24

The company has followed a system of defining its plant capacity in terms of direct labour hours. The normal capacity is 60,000 direct labour hours. The annual fixed manufacturing overhead is Rs.150,000. Two labour hours is needed to produce one unit.

**Required:** Differential cost analysis to decide whether the company should make or buy the components?

1. Mr. Shrestha has provided the following particulars of his tourist car:

• Cost of car Rs. 550,000 (life 10 years and scrap value Rs. 50,000).

• Distance of the route 40 kms one way.

• Insurance and taxes Rs. 10,500 p.a.

• Garage rent Rs. 2,000 p.m.

• Repairs and maintenance Rs. 12,000 p.a.

• Driver's salary Rs. 6,000 p.m.

• Other overhead charges Rs. 500 p.m.

• Petrol cost Rs. 100 per 10 km.

• Car will make 4 round trip each day.

• Car will operate 25 days in a month.

• Profit is to be charged @15% on freight.

**Required:** Operating cost statement showing proper division of costs.

## **Group "C"**

#### **Long Answer Questions (attempt any THREE questions) (3x10=30)**

1. “The main objective of inventory management is to supply all kinds of inventory regularly in such a manner that there is no shortage of materials and the production has may not have to be stopped”, discuss.
2. “Management accounting provides relevant information for planning, controlling the organization activities and taking right decisions”, comment.
3. The following are the information of a manufacturing company with normal capacity of 20,000 units:

|  |  |  |
| --- | --- | --- |
| **Years** | **2080** | **2081** |
| Production units | 20,000 | 21,000 |
| Sales units | 19,000 | 20,000 |
| Fixed factory overhead at Normal Capacity | | Rs.100,000 |
| Fixed administrative overhead | | Rs.40,000 |
| Fixed selling overhead | | Rs.30,000 |
| Unit selling price | | Rs.30 |
| Variable cost per unit: | |  |
| Raw material | | Rs 8 |
| Direct labour | | Rs 6 |
| Direct expenses | | Rs 4 |

**Required:**

**a)** Income Statement under Absorption Costing for the year 2081

**b)** Reconcile profit under Variable Costing

**c)** Give the reason of difference in net profit if any

1. Income statement of the company is as follows:

|  |  |
| --- | --- |
| Sales Revenue @ Rs.20 | Rs. 240,000 |
| Less: Variable cost @ Rs. 10 | 120,000 |
| Contribution Margin | 120,000 |
| Less: Fixed Cost | 80,000 |
| Net Income before tax | Rs. 40,000 |

**Required:**

1. Profit volume ratio
2. BEP in units and in Rs.
3. Sales units to earn Rs.80,000
4. Sales in Rs. if after tax profit is Rs. 45,000 and Tax rate is 25%
5. Margin of safety if profit is Rs. 50,000
6. Profit when sales are Rs.3,00,000
7. BEP in units and in Rs. if SPPU is increased by Rs. 2, VCPU is increased to   
   Rs. 11 and fixed cost is increased to Rs.100,000 (1+1+2+1+2+1+2=10)

## **Group "D"**

#### **Comprehensive Answer Question (1 × 20 = 20)**

1. A renowned organization is planning to prepare functional budget for their decisions purpose from the following information:

Total sales for six month are 100,000 units, which are apportioned as:

Chaitra 20%, Baisakh 15%, Jestha 15%, Ashad 20 %, Shrawan 20% and Bhadra 10% respectively .Selling price per unit will be Rs 30

Purchase: One unit of finished good requires 3 kg of material and rate per kg will be Rs 4.

Wages: Each unit of finished goods will need 2 labour hours and rate per labour hour will be Rs 5.

Overhead: Variable manufacturing cost will be Rs 4 per unit and fixed manufacturing cost fo the year will be Rs 180,000

Selling and administration expenses will be 10% of sales

Inventory policy: Material: 100% of the subsequent month’s requirement

Finished goods: 50% of the subsequent month’s sale

Required for three months from Baisakha to Ashad:

1. Sales budget
2. Production budget
3. Material purchase budget
4. Labour budget
5. Manufacturing overhead budget
6. Selling and administrative expenses budget
7. Cost of goods sold budget
8. Write any five features of functional budget (2+4+4+2+2+3+3)

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