**Asian School of Management and Technology**

(Affiliated to Tribhuvan University)

Gongabu, Kathmandu

**Full Marks: 100**

**Time: 3 Hrs.**

**SET B**

**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 objectives of cost account.
2. Give the meaning of ABC technique of inventory control system.
3. Write any two differences between fixed and semi variable cost.
4. Write about controllable and uncontrollable cost
5. What is economic order quantity?
6. A manufacturing company provides you the following information of a material:
   * Economic order quantity 4,000 units
   * Annual requirement 40,000 units
   * Cost per unit of material Rs.20
   * Carrying cost is 10% of inventory value

**Required**: Ordering cost per order.

1. A worker working 30 hours gets Rs. 350 under Rowan Plan. The time rate of wages is Rs. 10   
   per hour.   
   **Required**: Amount of bonus
2. Consider the following information of cost and production units:

|  |  |  |  |
| --- | --- | --- | --- |
| Output in units | 3,000 | 4,000 | 5,000 |
| Mixed cost | 40,000 | 50,000 | 60,000 |

**Required:** Estimate the total cost for 6000 units

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. Differentiate between product cost and periodic cost with examples.
2. “Cost volume profit analysis is important managerial tool showing the relationship between cost, selling price and volume of activity.” Explain in brief.
3. Explain in brief the reasons for holding inventory.
4. The overheads of a Manufacturing Company are given below:

Fuel Rs. 46,000

Rent Rs. 50,000

Store overheads Rs. 36,000 Amenities to staff Rs. 24,000

Following further details are provided to you:

|  |  |  |
| --- | --- | --- |
|  | Production department | |
| A | B |
| Horse Power | 10 | 8 |
| Machine hours | 3,000 | 2,000 |
| Area occupied sq. feet | 3,000 | 2,000 |
| No. of staff | 15 | 9 |
| Direct material Rs. | 30,000 | 18,000 |

**Required:** Overhead rate per machine hour for both products

1. A Ltd. gives you the following standard and actual data:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Types of Workers** | **Standard** | | | **Actual** | | |
| **Nos.** | **Rate per hour** | **Amount** | **Nos.** | **Rate per hour** | **Amount** |
| Skilled | 2 | Rs. 5 | 10 | 3 | Rs. 4 | 12 |
| Semi- Skilled | 3 | Rs. 4 | 12 | 4 | Rs. 3 | 12 |
| Unskilled | 5 | Rs. 3 | 15 | 5 | Rs. 2 | 10 |
| Total | 10 |  | 37 | 12 |  | 34 |

Standard output per gang hours is 0.25 units. 10,000 hours needed to work and paid.

Actual output produced 2,200 units in 10,000 hours.

**Required:** Possible labour variances

1. A company produces and sales 80,000 boxes of specialty foods each year. Each box contains the same assortment of food. The company has computed the following annual cost:

|  |  |
| --- | --- |
| Cost Item | Total Cost |
| Variable production cost  Fixed production cost  Variable selling cost  Fixed selling and administrative cost | Rs. 400,000  Rs. 480,000  Rs. 320,000  Rs. 200,000 |
| Total Cost | Rs. 1,400,000 |

The company normally charges Rs. 25 per box. A new distributor has offered to purchase 10,000 boxes at a special price of Rs. 22 per box. The company will incur additional packaging costs of  
Re. 1 per box to complete this order.

**Required:**

a. Cost statement to evaluate the offer and its desirability.

b. Opportunity cost of an offer.

1. Alka Hospital Pvt. Ltd. having 40 beds forecasts the following figures and information regarding its operation for the coming year:

Cost of laundry and catering Rs 100,000

Administrative expenses Rs. 120,000

Laboratory and X-Ray Rs 90,000 (Electricity, stationary telephones etc.)

Annual salaries of: Medical staff Rs 1,00,000

Visiting doctor Rs 1,50,000

Administrative staff Rs 50,000

Total premises Rs. 10,00,000 on which depreciation charge @ 10% p.a.

Bed occupancy 80% for 235 days and 75% for 130 days

**Required:** Rate to be charged per patient per day to yield 20% margin on taking (proceeds).

## **Group "C"**

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

1. “Standard costing is a technique of applying standard cost for the purpose of cost control.” Comment.
2. “Management accounting provides relevant information for planning, controlling the organization activities and taking right decisions”. Explain in brief.
3. The cost abstract of an undertaking was as follows:

|  |  |
| --- | --- |
| **Particulars** | **Units cost in Rs.** |
| Direct material | 12 |
| Direct labour | 3 |
| Variable manufacturing cost …………………………………… | 2 |
| Variable selling and distribution expenses | 1 |

Budgeted normal output was 1,00,000 units with Rs. 2,00,000 fixed manufacturing overhead.

The fixed selling and distribution expenses were Rs. 50,000.

The operations of the year ended Dec. of the last year were

Opening stock 10,000 units Production 90,000 units

Sales 80,000 units Sales price per unit Rs. 30 units

**Required:**

**a)** Income statement under absorption costing,

**b)** Reconciled profit under variable costing,

**c)** Explain how fixed manufacturing cost is under absorbed

1. The sales revenue and profit of a manufacturing company for two years were as follows:

|  |  |  |
| --- | --- | --- |
| Year | Sales Revenue (Rs) | Total Cost (Rs) |
| 2080 | 500,000 | 400,000 |
| 2081 | 700,000 | 650,000 |

**Required:** i) Profit volume ratio

1. Fixed cost
2. Brake-even point in Rs.
3. Break-even point in units if selling price per unit is Rs.100
4. Sales to earn desired profit after tax of Rs.30,000 if tax rate is 25%
5. Profit when sales are Rs.1,000,000
6. Margin of safety ratio if actual sales is Rs.900,000 (1+1+2+1+2+1+2)

## **Group "D"**

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

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

Total sales for six months are 400,000 units, which are appointed as:

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

Purchase: Each unit of finished goods requires 4kg of material and rate per kg is Rs.6.

Wages: Each unit of finished goods will need 3 labour hours and rate per labour hours will be Rs 6

Overhead: Variable manufacturing cost will be Rs 3 per unit and fixed manufacturing cost for the

Year will be Rs 240,000

Selling and administrative expenses will be 20% of sales

Inventory policy: Material: 100% of the next month’s production need

Finished goods: 50% of the following months sales

**Required** for three months from Baisakh 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. “Functional budget is important for the development of organization”. Explain.

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