**NAGARJUNA COLLEGE OF INFORMATION TECHNOLOGY**

**Shankhamul -09, Lalitpur**

**SET – B**

**Full Marks: 100**

**Pass Marks: 50**

**Time: 3hrs.**

**Pre-Board Examination -2081**

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

Attempts all the questions.

**Group "A"**

**Brief Answer Questions (10×2)**

1. State any two objectives of the management account.
2. What is the ABC inventory system?
3. Define fixed cost.
4. Write about opportunity cost.
5. What are overheads?
6. A manufacturing company provides you with the following information of a material:

• Economic order quantity of 4,000 units

• Annual requirement of 40000 units

• Cost per unit of material Rs.2

• Carrying cost is 10% of inventory value

**Required**: Ordering cost per order.

1. The following data are given to you:

Standard and actual output = 2,00 units

Output per hour = 1.5 units

Rate per hour = Rs.3

**Required**: Total wages under the Gant Task Bonus Scheme

1. XY Company Ltd. is working at its annual normal capacity of 5,000 units.

The total cost per unit is Rs.7.

The annual fixed costs are Rs.10,000.

**Required**: Total cost at 80% of the normal capacity.

1. The following information about a manufacturing company is presented below:

Actual hours worked 2,900

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

Actual production of 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 (6×5=30)**

1. Differentiate between allocation and apportionment of overheads.
2. Differentiate between avoidable and unavoidable costs.
3. 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 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 labor Rs.7 Manufacturing overheads Rs.8

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

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

1. The following information is 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**: Material variances

1. 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 3000 2000

Area occupied sq. feet 3000 2000

No. of staff 15 9

Direct material Rs. 30000 18000

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

1. The following is the information about a Manufacturing Company with a Normal Capacity of 20,000 units:

Years 2078 2079

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 Rs.:

Raw material 8

Direct labor 6

Direct expenses 4

**Required**: Income Statement under Absorption Costing for the year 2079 and reconcile profit without preparing Variable Costing Statement.

**Group "C"**

**Long Answer Questions (3×10=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 may not have to be stopped”, discuss.
2. Following is the information of a renowned Hotel in Kathmandu

• Total number of single rooms = 30

• Total number of double rooms = 20

Annual expenses (Rs.) summary:

• Room attendant’s salary = 50,000 per month

• Administrative staff salary = 60,000 per month

• Other helpers’ salaries = 20,000 per month

• Lighting and heating = 160,000 per annum

• Repair and maintenance = 40,000 per annum

• Depreciation of buildings = 5% of Rs.5,000,000

• Depreciation of other fixed assets = 15% of Rs.1,000,000

• Insurance = Rs.15,000 per month

• Miscellaneous = Rs.200,000 per annum

Occupancy ratio:

• For 4 months = Single rooms 100%

Double rooms 80%

• For 8 months = Single rooms 70%

Double rooms 50%

Profit margin 20% on cost

Assume that the double room shall be regarded as 1.5 of the single room for fixing the rate of the room.

**Required:**

a. Operating cost statement

b. Room charge for single and double rooms per day

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

Year Sales Revenue (Rs) Profit (Rs)

2078 500,000 (15,000)

2079 700,000 15,000

**Required:**

i) Profit volume ratio

ii) Fixed cost

iii) Brake-even point in Rs.

iv) Break-even point in units if selling price per unit is Rs.100

iv) Sales to earn a desired profit after tax of Rs.30,000 if the tax rate is 25%

v) Profit when sales are Rs.1,000,000

vi) Margin of safety ratio if actual sales are Rs.900,000

**Group "D"**

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

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

Total sales for six months are 200,000 units, which are apportioned as:

Chaitra 15%, Baisakh 20%, Jestha 15%, Ashad 10%, Shrawan 10%, Bhadra 20% and Ashwin 10% respectively.

The selling price per unit will be Rs.20

Purchase: One unit of finished goods requires 2 kg of material at a cost of Rs.10.

Wages: Each unit of finished good will need 2 labor hours and the rate per labor hour will be Rs.3

Overhead: Variable manufacturing cost will be Rs.3 per unit and fixed manufacturing cost for the year will be Rs.120,000

Inventory policy: Material: 50% of the subsequent month’s requirement

Finished goods: 20% of the subsequent month’s sale

**Required:** For four months from Baisakh to Shrawan

a. Sales budget

b. Production budget

c. Material purchase budget

d. Labor budget

e. Manufacturing overhead budget

f. Cost of goods sold budget

*The End*