**ORCHID INTERNATIONAL COLLEGE**

**Full Marks: 100**

**Time: 3 Hrs**

**Bijayachowk, Gaushala-9, Kathmandu**

**Pre Board Examination -2081**

**BIM /Fourth Semester / ACC202: Cost and Management Accounting**

***Candidates are required to give their answer in their own words as far as practicable. The figures in the Margins indicate full marks.***

**Group “A”**

**Brief Answer Questions (Attempt ALL questions) [10×2=20]**

1. Write any two limitations of financial accounting.
2. What is cost estimation.
3. What is the ABC inventory system?
4. The extracted data are given below:

|  |  |  |
| --- | --- | --- |
| **Period** | **Output (Units)** | **Supervision & Inspection** |
| I | 12000 | 220000 |
| II | 15000 | 250000 |

**Required**: Segregate the supervision and inspection cost into variable and fixed cost by using a two-point method.

1. What is meant by monetary and non – monetary benefits in labour costing.
2. The following particulars are given:

|  |  |
| --- | --- |
| Wage rate  Standard time  Production per worker:  Ramesh  Nimesh | Rs. 4 per hour  30 minutes per unit  40 units  20 units |

**Required**: Earning of Ramesh and Nimesh by using piece rate system.

1. Calculate danger stock level form the following information:

Daily consumption 400 – 600 units

Maximum re – order period for emergency purchase 6 days

1. What primary and secondary distribution of overhead.
2. Agni Yatayat runs 6 buses between two cities covering 25 km. apart. The seating capacity of each bus is 50 passengers, average occupancy is 75% of seating capacity and makes 7 round trips per day by each bus. Assume 26 working days in a month. Calculate total km. per month and total passenger – km per month.
3. The following is the information extracted from the books of Activa Co. Ltd.

|  |  |
| --- | --- |
| SPPU  VCPU  Fixed costs | Rs. 100  Rs. 40  Rs. 200000 |

**Required**:

1. Cost volume ratio.
2. The variable cost when sales is Rs. 1500000.

**Group “B”**

**Short Answer Questions (Attempt any SIX questions) [6×5 = 30]**

1. The following information has been provided to you:

|  |  |  |
| --- | --- | --- |
| Products | A | B |
| Sales unit  Selling price per unit  Variable cost per unit | 15000  Rs. 30  Rs. 15 | 5000  Rs. 10  Rs. 5 |
| Total fixed costs | Rs. 65000 | |

**Required**:

1. Overall break – even point in units and for each product.
2. Required sales unit to earn a profit of Rs. 200000.
3. Overall break – even point in units when sales mix are reversed.
4. A company having three production departments provides actual cost for a period as follows:

|  |  |
| --- | --- |
| **Items of Overhead** | **Amount (Rs. )** |
| Power  General lighting  Repairs and maintenance  Amenities  Supervisor’s salary (Direct labour cost)  Store and supplies | 12750 p.m.  54000 p.a.  71400 p.a.  8000 p.m.  16500 p.m.  108000 p.a. |

The following information is available in respect of three production departments.

|  |  |  |  |
| --- | --- | --- | --- |
| **Production departments** | **I** | **II** | **III** |
| Direct material cost p.m.  Direct labour cost p.m.  Value of machine  KW/H  Light points  No. of workers  Direct labour hours p.m. | 3000  2000  200000  70  300  40  6000 | 4000  5000  150000  50  200  60  5000 | 5000  4000  75000  30  400  100  4000 |

**Required**:

1. Monthly total overhead for the production department I, II and III.
2. Overhead rate per labour hour.
3. Material standard and actual consumption are provided as follows:

|  |  |
| --- | --- |
| **Standard Mix for one unit** | |
| Material A  Material B | 4 units @Rs. 5  6 units @Rs. 3 |
| **Actual Mix for 1000 units** | |
| Material A  Material B | 4400 units @Rs. 5  6400 units @Rs. 2.5 |

**Required**: Possible material variances.

1. The manufacturing cost of a company are detailed below:

|  |  |  |
| --- | --- | --- |
| **Items** | **25000 units** | **45000 units** |
| Material cost  Labour cost  Depreciation  Rent and rates  Supervision cost  Insurance | 112500  62500  60000  40000  62500  37500 | 202500  112500  60000  40000  92500  55500 |

Required: flexible budget by using table method for 30000 and 36000 units as the level of activity.

1. Tabulate any five differences between direct and indirect labour cost.
2. Is flexible budget useful to the management? If any show its relevance with real world example.
3. A trading company has presented the following information:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Months | Chaitra | Baisakh | Jestha | Ashad | Shrawan |
| Sales (Rs.) | 1200000 | 1400000 | 1600000 | 1200000 | 1200000 |

The gross profit margin in sales will be 40%. Administrative and selling expenses will be 10% of sales revenue excluding depreciation, which will be Rs. 20000 per month. The merchandise inventory will be equal to what the company will need for next month’s sales need.

**Required**:

1. Merchandise purchase budget for 1st quarter.
2. Administrative and selling cost budget for the 1st quarter.

**Group “C”**

**Long Answer Questions (Attempt any three questions) [3×10 = 30]**

1. Explain the concept and significance of standard costing in managerial accounting, and evaluate its advantages, limitations, and potential strategies for improvement in modern manufacturing environments.
2. Manang Company manufactures a single product. It prepared its income statement under variable costing for the year ended December 31st, 2023. The company’s normal capacity is 25000 units.

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Amount (Rs.)** | **Amount (Rs.)** |
| Sales revenue @Rs. 20 |  | 400000 |
| Less: Cost of Goods Sold: |  |  |
| Direct material @ Rs. 4 | 88000 |  |
| Direct labour @Rs. 3 | 66000 |  |
| Variable manufacturing overhead @Rs. 2 | 44000 |  |
| Add: Value of opening stock @Rs. 9 | 13500 |  |
| Less: Value of closing stock @Rs. 9 | 31500 | 180000 |
| **Gross contribution margin** |  | **220000** |
| Less: Variable non-mfg. costs |  |  |
| Variable selling & distribution | 30000 | 30000 |
| **Gross profit after adjustment** |  | **190000** |
| **Less: Non – Manufacturing Cost** |  |  |
| Fixed Manufacturing costs | 25000 |  |
| Fixed administrative | 40000 |  |
| Fixed selling and distribution | 20000 | 85000 |
| **Net Income** |  | **105000** |

**Required**:

1. Income statement under absorption costing
2. Reconciliation statement.
3. Describe the reasons for differences in profit.
4. The detail regarding a manufacturing company have been provided below:

Normal capacity 50000 units Production & sales 40000 units

Selling price Rs. 25 per unit Direct material Rs. 6 per unit

Direct labour Rs. 7 per unit Variable mfg. overhead Rs. 3 per unit

Variable selling & distribution Rs. 2 per unit Fixed mfg. overhead Rs. 200000

Fixed selling & distribution Rs. 50000

The company received an offer to supply 15000 units at a price of Rs. 20 per unit.

**Required**:

* 1. Should the company accept the offer?
  2. Opportunity cost of an offer if any.

1. Following is the information of a renowned Hotel in Jhapa

* Total number of single rooms = 30
* Total number of double rooms = 20

Expenses (Rs.) summary:

* Room attendant’s salary = 100000 per month
* Administrative staff salary = 120,000 per month
* Other helpers salaries = 40000 per month
* Lighting and heating = 320000 per annum
* Repair and maintenance = 80000 per annum
* Depreciation of buildings = 5% of Rs.5000000
* Depreciation of other fixed assets = 15% of Rs.1000000
* Insurance = Rs.30000 per month
* Miscellaneous = Rs. 400000 per annum
* Food and supplies = Rs. 100000 per months average

Occupancy ratio:

* For 4 months = Single rooms 100% Double rooms 80%
* For 8 months = Single rooms 70% Double rooms 50%

Profit margin 20% on Revenue (Sales)

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

**Required**:

1. Operating cost statement.
2. Room charge for single and double room per day.

**Group “D”**

**Comprehensive Answer Questions [1×20 = 20]**

1. In the process of preparing budget, Vedanta Manufacturing Concern prepared the following sales budget:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Months** | **January** | **February** | **March** | **April** | **May** |
| Sales units | 30000 | 40000 | 55000 | 45000 | 50000 |

The selling price per unit is Rs. 50. The desired ending inventory of finished goods and raw materials will be equal to meet next month’s sales and production needs respectively. Each unit of finished goods requires 2 kg of raw materials at Rs. 5 per kg. and 3 labour hours at Rs. 3 per hour. The general and administrative expenses will be Rs. 40000 per month, office expenses Rs. 20000 per month. Variable selling expenses will be paid Rs. 1 per unit, other selling and distribution expenses will be 10% of sales revenue. The company also forecasted the following manufacturing expenses:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars/Month** | **January** | **February** | **March** |
| Indirect wages  Indirect material  Supervision  Office overhead (Including depn of Rs. 8000) | 40000  20000  50000  20000 | 55000  27500  65000  20000 | 50000  25000  60000  20000 |

**Required**:

1. Production budget for the three months ending March.
2. Material consumption and purchase budget for three months ending March.
3. Labour cost budget for three months.
4. Manufacturing overhead budget for the three months.
5. Operating expenses budget for three months.
6. Cost of goods sold budget for the three months ending March.