**ORCHID INTERNATIONAL COLLEGE**

**Full Marks: 100**

**Time: 3 Hrs**

**Bijayachowk, Gaushala-9, Kathmandu**

**Pre-Board Examination -2080**

**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. State any two importance of management account.
2. What is a perpetual inventory system?
3. Define controllable and uncontrollable cost.
4. Write about avoidable cost.
5. What is an incentive plan?
6. A manufacturing company provides you the following information of a material:

Annual requirement 160000 units

Cost per unit of material Rs.40

Carrying cost is 10% of inventory value

Ordering cost per order is Rs. 100

**Required**: Ordering cost per order.

1. The following data are given to you:

Actual output of a worker for one month = 5000 units

working hours in a day 8 hours

No. of working days in a month is 20 days

Output per hour = 30 units

Rate per hour = Rs.60

**Required**: Total wages of a worker under Gantt’s task and bonus scheme.

1. RRR Company Ltd. is working at its annual normal capacity of 2500 units. The total cost per unit is Rs.140. The annual fixed costs are Rs.200,000.

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

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

Actual hours worked 5000

Fixed overhead (6000 hours Normal Capacity) Rs.48000

Actual production 75 units

Standard hours per unit 75

Standard overhead rate per standard hour Rs. 20

Actual overhead incurred Rs.97500

**Required:** Overhead Spending Variance

1. The following information is available in respect of a material.

Maximum stock level = 10000 units

Minimum consumption = 400 units

Average consumption = 500 units

Delivery period = 6 days – 10 days

Re-order level = 5000

**Required**: Reorder quantity

**Group "B"**

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

1. Differentiate between static and flexible budget.
2. What are the limitations of standard costing?
3. Differentiate between relevant and irrelevant cost.
4. Zamura 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  Cost estimate for one unit:  Raw material  Direct labor  Manufacturing overheads | 30000 units  Rs.9  Rs.7  Rs.8 |
| **Total** | **Rs. 24** |

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 labour hours are needed to produce one unit.

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

1. Following information are given to you:

|  |  |  |
| --- | --- | --- |
| Standard (standard loos is 10%) | | |
| Material | Quantity | Price per kg. (Rs.) |
| A | 30% | 20 |
| B | 70% | 30 |
| Actual (Actual output is 185 kg) | | |
| Material | Quantity (kg) | Price per kg. (Rs.) |
| A | 70 | 21 |
| B | 130 | 32 |

Required: Possible material variances.

1. The overheads of a Manufacturing Company are given below:

|  |  |
| --- | --- |
| Overheads | Amount (Rs.) |
| Fuel  Rent  Store overheads  Amenities to staff | 54000  100000  12000  27000 |

Following further details are provided to you:

|  |  |  |
| --- | --- | --- |
| **Items/Department** | **A** | **B** |
| Horsepower  Machine hours  Area occupied sq. feet  No. of staff  Direct material Rs. | 10  3,000  3,000  50  30,000 | 8  2,000  2,000  40  18,000 |

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

1. The following are the information of a Manufacturing Company with Normal Capacity of

20,000 units:

|  |  |  |
| --- | --- | --- |
| **Year** | **2078** | **2079** |
| Production units | 18000 | 21000 |
| Sales units | 19000 | 20000 |
| Closing stock | 2000 | ? |
| Fixed factory overhead at Normal Capacity |  | Rs.200000 |
| Fixed administrative overhead |  | Rs.80000 |
| Fixed selling overhead |  | Rs.60000 |
| Unit selling price |  | Rs.50 |
| Variable cost per unit (Rs.) |  |  |
| Raw material |  | 15 |
| Direct labour |  | 8 |
| Direct expenses |  | 7 |
| Variable selling overhead |  | 2 |
| Variable office and administrative overhead |  | 5% of sales |

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

**Group "C"**

**Long Answer Questions (attempt any THREE questions) [3×10 = 30]**

1. Differentiate between fixed and variable costs in manufacturing, providing examples. Explain how recognizing these differences assists managers in pricing and production decisions.
2. How does a manufacturing company employ short-term decision-making to assess accepting a discounted special order? Highlight key cost considerations and their impact on profitability and capacity utilization.
3. Following is the information of a renowned Hotel in Kathmandu

* Total number of single rooms = 50
* Total number of double rooms = 30

Annual expenses (Rs.) summary:

* Room attendant’s salary = 80,000 per month
* Administrative staff salary = 70,000 per month
* Other helpers salaries = 25,000 per month
* Lighting and heating = 200,000 per annum
* Repair and maintenance = 80,000 per annum
* Food and drink = Rs. 50000 per month average
* Depreciation of buildings = 5% of Rs.5,000,000
* Depreciation of other fixed assets = 15% of Rs.1,000,000
* Insurance = Rs.28,000 per month
* Miscellaneous = Rs. 200,000 per annum

Occupancy ratio:

* For 4 months = Single rooms 90% double room 70%
* For 8 months = Single rooms 75% Double room60% Profit margin 20% on Revenue (Sales) Assume that the double room shall be regarded as 1.8 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
3. The sales revenue and profit of a manufacturing company for two years were as follows:

|  |  |  |
| --- | --- | --- |
| **Year** | **Sales Revenue** | **Profit** |
| 1st half year | 1200000 | 80000 |
| 2nd half year | 1800000 | 320000 |

**Required:**

1. Profit volume ratio
2. Fixed cost
3. Brake-even point in Rs.
4. Break-even point in units if selling price per unit is Rs.200
5. Sales to earn desired profit after tax of Rs. 200000 if tax rate is 50%
6. Profit when sales are Rs.1500000
7. Margin of safety ratio if actual sales is Rs. 5000000

**Group "D"**

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

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

Total sales for six months (from Chaitra to Bhadra) are 800000 units, which are apportioned as:

Chaitra 10%, Baisakh 15%, Jestha 20%, Ashad 25%, Shrawan 15%, Bhadra 15%. Selling price per unit will be Rs.20

Purchase: One unit of finished goods requires 3 kg of material at Rs.5 per kg.

Wages: Each unit of finished goods will need 2 labour hours and the rate per labour hour will be Rs. 4.

Overhead: Variable manufacturing cost will be Rs. 2 per unit and fixed manufacturing cost for the year will be Rs.240000

Operating expenses: Fixed selling and administrative expenses Rs. 20000 per months and variable selling expenses will be 5% of sales revenue.

Inventory policy: Material: 60% of the subsequent month’s production requirement and finished goods: 50% of the subsequent month’s sales need.

**Required for four months from Baisakh to Ashadh**:

1. Sales budget.
2. Production budget Material purchase budget
3. Labour budget
4. Manufacturing overhead budget
5. Operating expenses budget.
6. Cost of goods sold budget
7. Explain why organizations need to prepare functional budgets.