			Marks	BL	PO	CO	PSO
Q.5	i.	What is the profit/volume ratio and why is it significant in marginal costing?	**4**	2	5	2	10, 11
	ii.	X Ltd. made sales during a certain period for Rs. 1,00,000. The net profit for the same period was Rs. 10,000 and the fixed overheads were Rs. 15,000. Find out: (i) P/V Ratio. (ii) Required sales to earn a profit of Rs. 15,000. (iii) Net Profit from sales of Rs. 1,50,000. (iv) Break – even point sales.	**6**	5	2	5	10, 11
OR	iii.	From the following particulars find out break-even point: Fixed Expenses Rs. 1.00.000 Selling price Per unit Rs 20 Variable cost per unit Rs. 15	**6**	5	3	5	12
Q.6		Attempt any two:					
	i.	Evaluate the effectiveness of standard costing and variance analysis for performance management.	**5**	5	5	4	14
	ii.	Discuss the concept of standard costing. Explain its components and how it helps in controlling costs in an organization.	**5**	4	4	3	13
	iii.	Analyze the importance of budgeting in an organization. Discuss various types of budgets (operational budgets, capital budgets, cash flow budgets) and explain how each serves a different purpose.	**5**	4	5	4	15

******

Total No. of Questions: 6 *Total No. of Printed Pages:4*

Enrollment No....................................

MEDI-CAPS UNIVERSITY
Knowledge is Power

Faculty of Management Studies
End Sem Examination Dec 2024
MS3CO18 Cost Accounting

Programme: BBA Branch/Specialisation: Management

Duration: 3 Hrs. **Maximum Marks: 60**

Note: All questions are compulsory. Internal choices, if any, are indicated. Answers of Q.1 (MCQs) should be written in full instead of only a, b, c or d. Assume suitable data if necessary. Notations and symbols have their usual meaning.

			Marks	BL	PO	CO	PSO
Q.1	i.	Which of the following best defines cost in accounting? (a) The amount paid to workers (b) The monetary value of resources consumed in producing goods or services (c) The revenue generated from sales (d) The expenses related to marketing	**1**	1	1	1	1,2
	ii.	What is the primary difference between cost accounting and financial accounting? (a) Cost accounting is used internally while financial accounting is for external reporting. (b) Financial accounting records costs, while cost accounting (c) does not. (d) They both serve the same purpose. Cost accounting is only for manufacturing companies.	**1**	2	2	1	1,2
	iii.	If the EOQ (Economic Order Quantity) is 200 units, how often must a company reorder if it consumes 5000 units annually? (a) 5 times a year (b) 10 times a year (c) 20 times a year (d) 25 times a year	**1**	3	4	3	5
	iv.	Which one out of the following is not an inventory valuation method? (a) FIFO (b) LIFO (c) Weighted Average (d) EOQ	**1**	2	3	2	5

	v.	When actual loss exceeds normal loss, there is- (a) Abnormal loss (b) Abnormal gain (c) Extra loss (d) None of these	**1**	2	2	1	7,8
	vi.	Which of the following is a primary disadvantage of job costing? (a) High accuracy in costing (b) Complexity and time-consuming procedures (c) Simplifies cost tracking (d) Ability to handle multiple projects at once	**1**	5	5	4	8
	vii	Contribution margin in marginal costing is also known as- (a) Net Income (b) Gross profit (c) Marginal Income (d) None of these	**1**	3	3	2	9,10
	vii	The profit/volume ratio in marginal costing can be improved by --------. (a) Lowering fixed cost (b) Increasing the selling price (c) Increasing variable cost (d) None of these	**1**	2	2	5	11
	ix.	What is the purpose of variance analysis in standard costing? (a) To record actual expenses (b) To compare actual costs with standard costs to identify discrepancies (c) To set new budget figures (d) To forecast future costs	**1**	2	2	5	13,14
	x.	What is the primary purpose of budgeting in an organization? (a) To increase revenue (b) To enhance employee morale (c) To provide a financial plan for resource allocation and performance measurement (d) To reduce expenses	**1**	2	2	1	13
Q.2	i.	Explain the difference between cost control and cost reduction.	**2**	2	2	1	1,2

	ii.	Illustrate the classification of costs and provide examples of each category.	**3**	3	4	2	2,3
	iii.	Define cost accounting and the various objectives of cost accounting.	**5**	2	2	3	3,4
OR	iv.	Assess the importance of differentiating between cost accounting and financial accounting in an organization.	**5**	5	5	2	4
Q.3	i.	What does EOQ stand for, and why is it important?	**2**	1	1	3	5
	ii.	Prepare a simple cost sheet for a fictional company, XYZ Ltd., for the production of 1,000 units of Product A, using the following data- Direct Material Cost — Rs.5,000 Direct Labor Cost — Rs.2,000 Indirect Material Cost — Rs.500 Indirect Labor Cost — Rs.300 Factory Overhead — Rs.700	**8**	3	4	5	5
OR	iii.	Write short notes on:- (a) ABC analysis **4** (b) EOQ **4**		5	3	5	6
Q.4	i.	Explain the concept of abnormal loss in process costing.	**3**	2	4	2	7
	ii.	In a process costing system, XYZ Ltd. produces 10,000 units in a month, with a total production cost of $25,000. The normal loss is estimated to be 5%. During the month, the actual loss turns out to be 700 units. Calculate the cost per unit and the abnormal loss or gain.	**7**	4	4	3	8
OR	iii.	Prepare a process account, abnormal loss account and normal loss account from the following information. Input of raw material — 1000 units @ Rs. 20 per unit Direct material — Rs.4200/- Direct wages — Rs.6000/- Production overheads — Rs.6000/- Actual output transferred to process II — 900 units Normal loss — 5% Value of scrap per unit — Rs.8/-	**7**	5	4	5	

Marking Scheme

MS3CO18 (T) -Cost Accounting (T)

Q.1	i)	B) The monetary value of resources consumed in producing goods or services	1
	ii)	A) Cost accounting is used internally while financial accounting is for external reporting.	1
	iii)	D) 25 times	1
	iv)	D) EOQ	1
	v)	A) Abnormal loss	1
	vi)	B) Complexity and time-consuming procedures	1
	vii	C) Marginal Income B) Gross Profit (Both B and C)	1
	vii	B) Increasing the selling price	1
	ix)	B) To compare actual costs with standard costs to identify discrepancies	1
	x)	C) To provide a financial plan for resource allocation and performance measurement	1

Q.2	i.	Explain the cost control and cost reduction.	1 marks each	2
	ii.	Illustrate the classification of costs	1.5 marks	3
		Provide examples of each category.	1.5 marks	
	iii	Define cost accounting and the various objectives of cost accounting.		5
OR	iv.	Assess the importance of differentiating between cost accounting and financial accounting in an organization.		5

Q.3 i. EOQ meaning and its important — 1 marks each — **2**

ii. Cost Sheet for XYZ Ltd. for Product A — **8**

Particulars Amount ($)

Direct Material Cost 5,000

Direct Labor Cost 2,000

Total Direct Costs =7,000

Add factory cost P/C

Indirect Materials 500

Indirect Labor 300

Factory Overhead 700

Total Indirect Costs =1,500

Total Cost of Production = 8,500

Total Unit 1000

Cost per Unit 8.50

OR iii — **8**

ABC & EOQ — 4+4 Marks

Q.4 i. Explain the concept of abnormal loss — 1 marks — **3**

Explain process costing. — 2 marks

ii. Solution: — **7**

1. Normal Loss: 5% of 10,000 = 500 units
2. Actual Loss: 700 units
3. Abnormal Loss: 700 - 500 = 200 units (abnormal loss)

Cost per Unit (after normal loss):

- Total units accounted for = 10,000 - 500 (normal loss) = 9,500
- Cost per unit = Total cost / Total units = 25,000/9,500=25,000/9,500=2.63 (rounded)

OR iii **Dr. Process – I A/c. Cr.** — **7**

Particulars	Units	Rs.	Particulars	Units	Rs.
To Raw material @ 20	1000	20000	By Normal Loss		
To Direct Material		4200	(5% on 1000)	50	400
To Direct Wages		6000	By Abnormal Loss A/c.	50	1884
To Production			BY Process – II A/c.	900	33916
Overheads		6000	(output transferred)	900	
	1000	36200		1000	36200

Dr. Abnormal Loss A/c. Cr.

Particulars	Units	Rs.	Particulars	Units	Rs.
To Process – I A/c.	50	1884	By Bank A/c.	50	400
			By Costing P & L A/c.		1484
	50	1884		50	1884

Dr. Normal Loss A/c. Cr.

Particulars	Units	Rs.	Particulars	Units	Rs.
To Process – I A/c.	50	400	BY Bank	50	400
	50	400		50	400

Working Notes:

(1) Cost of abnormal Loss :

= Total Cost increased – Sales value of Scrap x abnormal units Input units – Normal Loss Units

= 36200 – 400 x 50 =1884
1000 – 50

(2) It has been assumed that units of abnormal loss have also been sold at the same rate i.e. of Normal Scrap

Q.5 i. What is the profit/volume ratio 2 marks **4**
Explain the significant in marginal costing 2 marks

ii. Solution: **6**
(i) P/V Ratio = {(F+P) / S} x 100
Here, F = Rs. 15,000, P = Rs. 10,000 and S = Rs. 1,00,000.
∴ P/V Ratio = [(15,000 + 10,000) / 1,00,000] x 100
∴ P/V Ratio = 25%.
(ii) P/V Ratio = {(F+P) / S} x 100
Here 25 = {(15,000+15,000) /S}x100 [∵ Given Profit = ₹ 15,000]
Or, S = (30,000/25) x 100
∴ Sales = ₹1,20,000
∴ Sales required to earn a profit of ₹15,000 = ₹1,20,000.
(iii) When Sales =₹1,50,000, Then Profit = ?
P/V Ratio ={(F+P) / S} x 100
Here, 25 = [(15,000+P)1,50,000] x 100 [∵Given Sales=₹1,50,000]
Or, 15,000 + P = 1,50,000 x 25 / 100
Or, 15,000 + P = 37,500
∴ Profit = 37,500 – 15,000 = ₹22,500
∴ Net Profit from sales of ₹1,50,000 = ₹22,500.

(iv) We know, at BEP –
P/V Ratio = F+ BEP Sales x 100
Or, 25 = (15,000 / BEP Sales) x 100
Or, BEP Sales = (15,000 / 25) x 100 = 60,000
∴ Break – even Point Sales = ₹60,000.

OR iii Solution: **6**
Break-Even Point in Units = Fixed Cost / Contribution per unit
Contribution per unit = Selling Price per unit - Variable Cost per unit = Rs. 20 - Rs. 15 = Rs. 5
B.E.P in Units = Rs. 1.00.000 / 5 = **20,000 units**
B.E.P in sales = 20,000 x Rs. 20 = **Rs. 4,00,000**

Q.6 Attempt any two:

i.	Proper explanations		**5**
ii.	Concept of standard costing.	1 marks	**5**
	Explain its components	3 marks	
	Explain controlling costs in an organization.	1 marks	
iii	Proper explanations of (operational budgets, capital budgets, cash flow budgets)		**5**

******