Total production is 50000 units annually. An outsider supplying this product has offered to supply this at Rs. 49 per unit with no change in quality and with regular supply. Should the company go for buying in place of making the part?

OR iii. What is meant by Marginal costing? Describe its importance. **6**

Q.6 Attempt any two:

i. What is budgeting? Explain the different types of budgets **5**

ii. The following information are obtained from the costing records of a company: **5**

Materials	Standard		Actual	
	Quantity	Rate	Quantity	Rate
X	600	10	700	9
Y	400	8	300	9
	--------		---------	
	1000		1000	
Wastage	100		190	
	--------		-------	
Output	900		810	

From the above information find out the following:

(a) Material Cost variance

(b) Material mix Variance

iii. What do you understand by variance? Explain types of variance. **5**

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

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

Faculty of Management

End Sem (Odd) Examination Dec-2017

MS3C009 Cost & Management 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.

Q.1 i. Cost Accounting is based upon which System- **1**

(a) Single entry (b) Double entry
(c) American Accounting (d) Mahajani

ii. Management Accounting is a Framework for: **1**

(a) Accounting (b) Costing
(c) Decision-Making (d) Management

iii. Economic order quantity means purchase of material--------)- **1**

(a) In appropriate quantity (b) At appropriate time
(c) From appropriate place (d) At appropriate rate

iv. Cake from crushing process in oil industries, is called- **1**

(a) Main Product (b) Normal wastage
(c) By product (d) Co-product

v. In ABC analysis, which category represents those items which are used in largest quantity but their value is not high)- **1**

(a) A (b) B (c) C (d) None of these

vi. During the situation of rising prices which method of the valuation of inventory tends to value the stock at lower price)- **1**

(a) LIFO (b) FIFO (c) Inflated price (d) Standard price

vii. Due to change in the production units the marginal cost per unit will be------- **1**

(a) Increased (b) Decreased (c) Fluctuated (d) Fixed

viii. Margin of safety is---- **1**

(a) Sales – B.E.P. (b) Sales – fixed cost
(c) Sales – variable cost (d) Contribution + fixed cost.

ix. A budget is prepared for ----------period. **1**
(a) Present (b)Past (c) Future (d) All of these

x. Which formula is used for Material Mix variance)- **1**
(a) SP (RSQ-AQ) (b) AP (RSQ-AQ)
(c) SP (SQ-AQ) (d) SP(SQ-RSQ)

Q.2 i. What is Cost Accounting? **2**
ii. What is the nature of Management Accounting? **3**
iii. What are the elements of cost? Explain the difference between direct cost and indirect cost. **5**
OR iv. What do you mean by Management Accounting? How Management Accounting is differ from Cost Accounting **5**

Q.3 i. What do you mean by 'BY-Product'? **2**
ii. A Company Produced 5,000 articles in the year 2012. The cost information are as under: **8**

Opening stock of Materials	4,500
Closing Stock of Materials	6,500
Purchase of Materials	1,20,000
Factory labour	1,55,000
Freight on purchases	5,000
Octroi	2,000
Factory overheads	80,000

As per previous estimate:
(a) General Administrative expenses are 12.5% of total cost.
(b) Selling and distribution expenses are 10% of selling price.
(c) Profit is 20% of selling price.
Find out per unit cost and show selling price.

OR iii. An article passes from three different processes. From the following information, find out the cost of production per unit of that article. 200 article were manufactured- **8**

	Process(A)	Process(B)	Process(C)
Material	6400	3200	1600
Labour	2400	1600	1600
Direct Expenses	1600	3200	800

Indirect expenses of Rs. 1400 to be borne by each process on the basis of wages.

Q.4 i. From the following particulars determine the economic order quantity. **3**

Annual usage	4000 units
Cost of placing and receiving an order	Rs.60 per unit
Purchasing price per unit	Rs. 10
Annual inventory Carrying Cost	Rs. 3 per unit.

ii. Calculate Re-ordering Level, Minimum Stock Level, Maximum Stock Level From the Following Particulars: **7**

Maximum Consumption	140 units per day
Normal Consumption	100 units per day
Minimum Consumption	60 units per day
Reorder quantity	1000 units
Reorder period	10 to 14 days.

OR iii. Prepare a store ledger account for the month of January, showing the issue of material on first in first out method from the following information- **7**

Receipts			Issue	
Date	unit	Rate	Date	unit
3	4000	1.00	4	1000
5	6000	1.40	7	4000
10	4000	1.50	15	6000
20	6000	1.80	25	5000

Q.5 i. **4**

Selling price per unit	20
Variable cost per unit	12
Fixed cost	40000

Find out: (a) P/v ratio (b) Amount and Quantity of BEP sales

ii. A company is manufacturing a product. The cost analysis is as under: **6**

Material	25
Labour	15
Variable overhead	7
Fixed overhead	3

Total	50

P.T.O.

Solution For

M53C009 B.B.A. Cost & Management Accounting
ODD SEM.

Answers of MCQ. 10 Marks

Q. 1. (i) b
(ii) c
(iii) a
(iv) c
(v) c
(vi) b
(vii) a
(viii) a
(ix) c
(x) a

Q. 2 (i) Meaning of cost Accounting 2

(ii) Nature of Mgt. Accounting 3

OR (iii) Element of cost — 2 mark
\+ difference between Direct & indirect — 3 mark
5

OR (iv) Meaning of Mgt. Accounting — 2 mark
Difference between Mgt. Accounting & cost Accounting — 3 mark
5

Q. 3 (i) Meaning of BY-Product 2

Q. 3 (ii) (8 Marks)

Output 5000 Units

Cost Sheet

Particulars		Amount
Raw materials consumed:		
Opening stock	4,500	
Add: purchase	120,000	
Freight on purchase	+ 5,000	
Octroi	2,000	
	131,500	
Less: closing stock	- 6,500	125,000
Add: Direct wages		+ 155,000
Prime Cost		280,000
Add: Factory overheads		+ 80,000
Factory cost		360,000
Add: Admn. overheads		+ 60,000
Cost of Production		420,000
Add: Selling & Distribution overheads		+ 60,000
Total cost		480,000
Add: Profit		120,000
Sales		600,000

$$\text{Per unit cost} = \frac{600,000}{5000}$$

= 12 Rs. Per Unit

Working Note

Let the selling price	100
Less: (Profit 20% on S.P.)	− 20
Total cost	80
Less: Selling O.H. (10% on S.P.)	− 10
Cost of production	70
Less: office O.H. ($12\frac{1}{2}$% on total cost)	− 10
Factory cost	60

1) Admn. O.H. $= 360{,}000 \times \frac{10}{60} = 60{,}000$

Cost of production $= 360{,}000 + 60{,}000$
$= 420{,}000$

2) Selling & Dist. O.H. $= 420{,}000 \times \frac{10}{70} = 60{,}000$

Total cost $= 420{,}000 + 60{,}000$
$= 480{,}000$

3) Profit $= 480{,}000 \times \frac{20}{80} = 120{,}000$

3+2.5+2.5 = 8 marks

Q. 3 (iii)

Process A A/C

Particulars	units	Amount	Particulars	units	Amount
To materials	200	6400	By process B A/C @ 54.62	200	10,925
To Labour		2,400			
To Direct EXP.		1600			
To Indirect EXP.		525.			
	200	10,925		200	10,925

Process B A/C

Particulars	units	Amount	Particulars	units	Amount
To Process A A/C	200	10,925	By process C A/C @ 96.37	200	19275
To materials		3,200			
To Labour		1,600			
To Direct EXP.		3,200			
To Indirect EXP.		350			
	200	19275		200	19,275

Process C A/C

Particulars	units	Amount	Particulars	units	Amount
To process B A/C	200	19275	By Finished Stock A/C	200	23,625
To materials		1,600			
To Labour		1,600			
To Direct EXP.		800			
To Indirect EXP.		350			
	200	23,625		200	23,625

(3 Mark)

Q. 4 (i)

Formula:

$$EOQ = \sqrt{\frac{2AO}{C}}$$

Annual usage = 4000

ordering cost = 60 Per unit

Carrying cost = Rs. 3 Per unit

purchare price = 10 Rs. Per unit

$$EOQ = \sqrt{\frac{2 \times 4000 \times 60}{3 \times 10}}$$

$$= \sqrt{\frac{4,80,000}{30}}$$

$$= \sqrt{16000}$$

= 400 units

$2 + 2.5 + 2.5 = $ (7 marks)

Q. 4 (ii)

(2 marks)

$$\text{Reorder Level} = \text{Maximum usage Rate} \times \text{Maximum Reorder Period}$$

$$= 140 \times 14$$

$$= 1960 \text{ units}$$

(2.5 marks)

$$\text{Minimum stock Level} = \text{Reorder Level} - (\text{Normal usage Rate} \times \text{Normal Reorder period})$$

$$= 1960 - \left(100 \times \left(\frac{10+14}{2}\right)\right)$$

$$= 1960 - \left(100 \times \left(\frac{24}{2}\right)\right)$$

$$= 1960 - (100 \times 12)$$

$$= 1960 - 1200$$

$$= 760 \text{ units}$$

(2.5 marks)

$$\text{Maximum stock Level} = \text{Reorder Level} - (\text{Minimum usage Rate} \times \text{minimum reorder period}) + \text{EOQ}$$

$$= 1960 - (100 \times 10) + 1000$$

$$= 1960 - (1000) + 1000$$

$$= 1960 \text{ units}$$

Q. 4 (iii) (7 marks)

FIFO
Stores Ledger Account

ate	Receipts			Issues			Balance		
	Units	Rate	Amount	Units	Rate	Amount	Units	Rate	Amount
3	4000	1	4000	–	–	–	4000	1	4000
4	–	–	–	1000	1	1000	3000	1	3000
5	6000	1.40	8400	–	–	–	3000 6000	1 1.40	3000 8400
7	–	–	–	3000 1000 4000	1 1.40	3000 1400 4400	5000	1.40	7,000
10	4000	1.50	6000	–	–	–	5000 4000	1.40 1.50	7,000 6,000
15	–	–	–	5000 1000 6000	1.40 1.50	7000 1500 8500	3000	1.50	4,500
20	6000	1.80	10,800	–	–	–	3000 6000	1.50 1.80	4,500 10800
25	–	–	–	3000 2000 5000	1.50 1.80	4,500 3,600 8,100	4000	1.80	7200

1 + 1.5 + 1.5 = 4 marks

Q. 5 (i)

(1 mark)

Formula: $P/V\ Ratio = \frac{C}{S} \times 100$

$$Contribution = Sales - Variable$$
$$= 20 - 12$$
$$= 8$$

$$= \frac{8}{20} \times 100$$

$$P/V\ Ratio = 40\%.$$

(1.5 mark)

Formula:

$$B.E.P.\ (In\ units) = \frac{Total\ Fixed\ cost}{Selling\ Price\ per\ unit - Variable\ cost\ per\ unit}$$

$$= \frac{40,000}{20-12}$$

$$= \frac{40,000}{8}$$

$$= 5,000\ units$$

(1.5 Marks)

$$B.E.P.\ (In\ Rupees) = \frac{Total\ Fixed\ Cost}{P/V\ Ratio}$$

$$= \frac{\cancel{40,000}^{1000}}{\cancel{40}\,\cancel{\%}} \times 100$$

$$= 1,00,000\ Rs.$$

Q.5 (ii) 6 marks

Marginal cost = Material + Labour + Variable EXP.

$= 25 + 15 + 7$

$= 47$ RS.

Loss ~~Saving~~ in Buying $= 49 - 47$

$= 2$

should not be bought..

Q.5 (iii) Meaning of marginal costing 2 mark

Importance each Point 4 mark 6 mark

1 each Point

Q.6 (i) Meaning of Budgeting 2 marks

Types of Budgets 3 marks 5 marks

P.T.O.

2.5 + 2.5 = (5 marks)

Q. 6. (ii)

Material cost variance. 2.5 marks

= Revised Standard Qty. × Standard price. − Actual Qty. × Actual price.

	Standard			Actual		
	Qty	@	Amount	Qty	@	Amount
X	600	10	6000	700	9	63,00
Y	400	8	3200	300	9	2700
	1000		9200	1000		9000
waste	− 100			−190		
	900			810		

$X = 600 \times \frac{810}{900} = 540 \times 10 = 5400$

$Y = 400 \times \frac{810}{900} = 360 \times 8 = 2880$

Revised Std. Cost 8280

~~Actual Qut × Actual Price~~

$\cancel{9200} \times \cancel{\frac{810}{900}}$

St. cost − Actual Cost   Cost Variance

8280 − 9000 = − 720 (A)

Q6.(ii)

(b) Material Mix Variance 2.5 marks

material Mix Variance =
(Std. proportion of SQ − AQ) X SP

$X = 600 \times \frac{1000}{1000} = 600 - 700 \times 10 = 1000$ (A)

$Y = 400 \times \frac{1000}{1000} = 400 - 300 \times 8 = 800$ (F)

Total − 200 (A)

Q. 6 (iii) Meaning of Variance 1
Types of variance 4
(each 1 mark)
5 marks