TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Office of the Dean

September 2019

Full Marks: 60
Pass Marks: 30
Time: 3 Hrs.

BBA / BIM / Fourth Semester / ACC 202: Cost and Management Accounting

Candidates are required to give their answers in their own words as far as practicable.

Group "A"

Brief Answer Questions: ***[5 × 2 = 10]***

1. Difference between direct cost and indirect cost.

2. Following information were given to you:
   - Estimated annual demand 9,000 units @ Rs 20 per unit.
   - Cost of process a purchase order Rs 40.
   - Holding cost Rs 2 per unit per year.

   Required:
   a) Economic order quantity (EOQ)
   b) Total cost at EOQ

3. A product requires 20 kg of raw material @ Rs 4 each. The actual yield is 70 units with actual consumption 1,200 kg of materials @ Rs 5 each.

   Required: Material three variances

4. The data related to Labour are given:

Standard time allowed	15 hours
Actual time taken	12 hours.
Normal wages rate per hour	Rs 40

   Required: Total wages earned by the worker under Hasley and Rowan premium plan

5. Manufacturing Company's cost structure at two different level of output are:

Output units	6,000	9,000
Total cost (Rs)	24,000	33,000

   Required: Total cost for 8,000 units and 10,000 units by using flexible budget formula.

Group "B"

Short Answer Questions: ***[4 × 5 = 20]***

6. Explain briefly the assumptions of cost volume profit analysis for profit planning decision.

7. A Company provided the following information from the fiscal year 2018.

Sales production units	80,000
Selling price per unit (regular market)	Rs 15
Per unit cost of sales:	
Direct material	Rs 3
Direct labour cost (1 DLH)	Rs 4
Manufacturing overhead cost (0.25 MH)	Rs 3
Variable Selling and distribution cost	Rs 2

Company has expected to sale same units of output during coming year too. One of the complete new customers has ordered for 25,000 units of output at a reduced price of Rs 10 to be dispatched from January 2019. However special order units require a special test on the product. This will require additional variable production cost of Rs 2 per unit.

Additional Information:

i. Company has normal capacity of 25,000 MH and at his capacity volume the budgeted fixed manufacturing cost will be Rs 200,000.

ii. If offer is accepted, additional set up cost will be Rs 10,000 is needed.

Required:

a) Should the company accept the offer?

b) Opportunity cost of an offer.

8. The expenses of a garment factory are given below:

Fuel	Rs 75,000	Welfare and cafeteria	Rs 60,000
Rent and lighting	Rs 30,000	Insurance of properties	Rs 50,000

Other information:

	Production Departments		Service Department
	P_1	P_2	
Number of staff	20	15	5
Area used in sq.ft	3500	2000	500
Value of properties (Rs)	500,000	400,000	100,000
Machine hours	16,000	9,000	-

The service department has provided Service to Production Department P_1 and P_2 in the ratio of 3:2

Required:

a) Statement of Overhead distribution summary

b) Overhead rate per machine hours.

9 A manufacturing company with normal capacity of 18000 units furnished you the following information:

Opening stock	2,000 units
Unit produced	16,000 units
Unit sold	17,000 units
Variable Manufacturing cost	Rs 13 per unit
Fixed manufacturing overhead at normal capacity	Rs 72,000
Variable selling expenses	Rs 2 per unit
Fixed selling overhead	Rs 18,000
Unit selling price	Rs 28

Required:

a) Income statement under absorption costing.

b) Reconciled profit under variable costing.

c) Reason of difference in profit.

Group "C"

Comprehensive Answer Question: *[30]*

10. The following Balance Sheet is given as on 31st Chaitra 2075 as under:

Balance Sheet as on 31st Chaitra 2075

liabilities	Amount (Rs)	Assets	Amount (Rs)
Share Capital	500,000	Fixed assets	600,000
10% debenture	200,000	Inventory	40,000
Account payable	77,500	Account receivable	188,000
Retained earning	70,500	Cash	20,000
Total	848,000	Total	848,000

Additional Information: Actual and budgeted sales for different months are:

Month/Particulars	Falgun	Chaitra	Baishak	Jestha	Ashad	Shrawan
Sales in(Rs)	170,000	150,000	160,000	180,000	160,000	180,000

Out of the total sales 20% are in cash and rest on credit which will be collected equally during the following two month of sales.

Gross profit margin 50% of sales. Ending inventory of merchandise will be 50% of sales need of next month. Purchase will be paid next month of purchase.

Salary and rent paid per month will be Rs 24,000 and Rs 20,000 respectively in same month. Variable selling expenses 10% of sales which will be paid in same month.

During Baishak the company will purchase fixed assets of Rs 100,000 and during Jestha issued Shares of Rs 150,000.Depriciation will be charged @ 10% p.a on fixed assets.

Minimum cash balance per month will be Rs 20,000. The firm has an agreement with Nepal Bank Ltd. for a short term soft loan to meet cash deficiency of any months at an interest rate 12% p.a. Payable for the amount of loan repaid the borrowing and payment will be in multiple of Rs 1,000.

Required:

a) Merchandise purchase budget for three month ending Ashad 2076
b) Cash budget for three months ending Ashad 2076
c) Budgeted income statement for ending Ashad 2076
d) Budgeted Balance sheet for three month ending Ashad 2076
e) Total budgeted fixed cost and variable cost for three month.
f) Break-even point in Rs.
g) Total budgeted sales of the company to earn after tax profit Rs 72,000, if tax rate is 25%
h) Margin of safety, if profit is Rs 50,000. *[4+8+5+5+3+2+2+1]*

✲✲✲✲