

TRIBHUVAN UNIVERSITY
FACULTY OF MANAGEMENT
Office of the Dean
2015

Full Marks: 60
Time: 3 Hrs.

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

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

Attempt ALL questions

Group "A"

Brief Answer Questions:

[5 × 2 = 10]

1. Write briefly about Cost Accounting.
2. Write about any two needs for control of labour cost.
3. The annual requirement of raw materials of a workshop is 60,000 kg. The costs for each order placement are Rs 1,000 and the yearly storage holding costs per kg are Rs 30. Suggest the workshop for economical order quantity.
4. A factory incurred total overheads amounting to Rs 200,000 for 80,000 machine hours of operations in the last month. The factory completed a job with 25,000 machine hours operations in the current month by incurring material costing Rs 75,000 and labour costing Rs 50,000. Determine the total costs needed to be charged for the job if machine hour rate is adopted.
5. Eva Paper House produced 5,000 reams of paper in the current month at a cost of Rs.124 per ream. The cost per ream will be Rs.115 if the Paper House produces 8,000 reams in the coming month.

Required: Variable cost per ream and monthly total fixed cost of Eva Paper House

Group "B"

Short Answer Questions:

[4 × 5 = 20]

6. **Aty Industry** plans to sell 90,000 units of product P and 30,000 units of product Q in the current year.

The selling price per unit and P/V ratio of those two products are as follows:

	P	Q
Selling price per unit	Rs 64	Rs 80
P/V ratio	0.25	0.40
Separate fixed costs	Rs 500,000	Rs 700,000

The industry's annual joint fixed costs are Rs 400,000.

- Required:**
- a. The industry's overall BE sales in units
 - b. The profit of the industry for its current year's planned sales

7. The variable costs per unit of a factory are as follows:

Materials and labour costs are Rs 12

Factory overhead is Rs 8

Selling and distribution overheads are Rs 4

The factory has 4,000 units of inventory in the beginning of the current year. It produced 48,000 units and sold 50,000 units @ Rs 40 per unit during the current year.

The factory's annual normal capacity output is 50,000 units. The factory's annual fixed factory overheads are Rs 350,000. The annual fixed office overheads are Rs 250,000 and annual fixed selling and distribution overheads are Rs 100,000.

Required: Absorption costing income statement

- 8 The usages of materials and its costs recorded in the job card of a manufacturing firm are as follows:

Materials	Standards		Materials	Actual	
	Quantity	Cost per kg		Quantity	Cost per kg
X	2,600 kg	Rs 10	X	2,500 kg	Rs 10
Y	1,400 kg	Rs 12	Y	2,000 kg	Rs 14
Standard loss expected is 10 %			Actual loss recorded is 6 %		

Required: Material output variance, Material quantity variance, Material composition variance and Material price variance

- 9 Electrical Appliances Factory's costs for three-pin plug and the screw for the three-pin plug are as follows:

	Three-pin plug	Screw
Material costs	Rs 10.00	Rs 2.00
Labour costs	8.00	1.00
Variable factory overheads	6.00	0.50
Total	24.00	3.50

The annual fixed work overheads of the factory are Rs 125,000.

The selling price of each three-pin plug is Rs 30.

The screws needed for the three-pin plugs are available in the local market @ Rs 4.

The factory has been producing 100,000 three-pin plugs and the production will increase upto 140,000 three-pin plugs in a year since the capacity spared because of purchasing screws can be used in the production of the three-pin plugs.

Required: Decision to make or buy the screws by showing differential costs analysis

Group "C"

Comprehensive Answer Question:

[30]

10. The balance sheet of a company as of Ashad 31, 2072 is as follows:

Equities	Rs.	Assets	Rs.
Equity share capital	3,200,000	Business Premises	960,000
Retained earnings	235,000	Plants	
Payables	510,000	(Original costs being Rs.1,200,000)	840,000
9 % Bonds payable	200,000	Inventory:	
		Finished goods for 5,000 units	400,000
		Raw materials for 104,000 kg	520,000
		Receivables	1,400,000
		Cash	25,000
Total	4,145,000	Total	4,145,000

The actual sales of Jestha and Ashad of 2072 of the company and the projected sales of the next five months are as follows:

	Actual sales		Projected sales				
	Jestha	Ashad	Shrawan	Bhadra	Ashwin	Kartik	Manshir
Sales units	20,000	25,000	25,000	30,000	30,000	35,000	35,000

The selling price per unit of finished goods is Rs 100 which is expected to remain unchanged in the coming six months.

The sales will be 60 % in cash and rest 40 % on credit. The credit sales equal to 50 % will be realized in the next month and rest 50 % in the next two months.

The raw materials required for one unit of finished goods will be 8 kg and the cost per kg of raw materials will be Rs 5. The raw materials purchases will be 50 % by paying cash and rest 50 % on credit which will have to be paid in the next month.

The factory maintains raw materials inventory equal to 50 % of the next month's raw materials usages and for finished goods it maintains 20 % of the next month's projected sales.

Five direct labour hours (DLH) will be needed for processing each unit of output and wage rate per DLH will be Rs 5 which will have to be paid in the same month when such wages arise.

The variable factory overheads for one unit will be Rs 15 and variable selling and distribution overheads will be Rs 10 per unit sold. Both the overheads are needed to be paid in the same month. The overall annual fixed overheads excluding depreciation will be Rs 2,400,000 payable proportionately on monthly basis.

The 9 % Bonds mature by the end of Shrawan 2072 therefore needed to be paid with interest.

The monthly minimum cash balance should not fall below Rs 25,000.

The company has already issued 4,000 equity shares of Rs.100 par value on which the subscribers of the equity shares have promised to deposit share amount by the end of Shrawan 2072.

The plants depreciate @ 10 % p.a. on straight-line basis.

The factory has line of negotiation with its commercial bank that facilitates to obtain bank borrowing in the multiples of Rs 5,000 and repayment in the multiples of Rs 1,000. The bank charges 6 % p.a. interest on the outstanding borrowing on monthly basis.

- Required:**
- (a) Production budget for Shrawan, Bhadra and Ashwin of 2072
 - (b) Raw materials purchase costs budget for Shrawan, Bhadra and Ashwin of 2072
 - (c) Labour cost budget for Shrawan, Bhadra and Ashwin of 2072
 - (d) Cash collections and disbursements budget for Shrawan, Bhadra and Ashwin of 2072
 - (e) Budgeted Income Statement for the three months ended Ashwin 2072
 - (f) Budgeted Balance sheet as of Ashwin end of 2072.

[3+3+3+10+6+5=30]

