AGMP –Batch 6 Costing & Control Roll No. 2020-21 Time: 1 hour Name:

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1. There are 2 pages. Write your roll number on each page.
2. Do not use pencil to write final answers. Overwriting will be interpreted as wrong answers.

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Q.1 State whether the following statements are true or false:

|  |  |
| --- | --- |
| Particulars | True/False |
| 1.Costs, which are variable, will also be direct. |  |
| 2.Companies that overcost products will most likely lose market share. |  |
| 3.When replacing an old machine with a new machine, the book value of the old machine is a relevant cost. |  |
| 4.In a decision as to whether or not to drop a product, fixed costs that have been allocated to that product are generally not relevant. |  |
| 5.Avoidable variable and fixed costs should be evaluated when deciding whether to discontinue a product, product line, business segment, or customer. |  |
| 6.Break-even is related to sales. Hence, a decision to outsource a part of volume of activity will not influence the break-even point. |  |
| 7.Budgetary slack provides management with a hedge against planned adverse circumstances. |  |
| 8. An unfavorable variance is conclusive evidence of poor performance. |  |

Q.2 Tick the correct answer for each of the following statements (overwriting/changing options will be considered as wrong answers):

1) The flexible budget contains \_\_\_\_\_\_\_\_.

A) budgeted amounts for actual output

B) budgeted amounts for planned output

C) actual costs for actual output

D) actual costs for planned output

2) Which of the following items will be same for a flexible budget and a master budget?

A) total variable cost

B) total fixed costs

C) total contribution margin

D) total revenues

3) An efficiency variance reflects the difference between \_\_\_\_\_\_\_\_.

A) actual input quantities used last period and current period

B) an actual input quantity and a budgeted input quantity

C) an actual input quantity used in a company and its main competitor's

D) a standard input quantity in a company and its main competitor's

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4) Which of the following is an advantage of using actual input data from past periods to develop a budget?

A) Past inefficiencies are excluded in the preparation of new budget.

B) Expected future changes are incorporated in the preparation of new budget.

C) Information is available at a low cost.

D) Data represents the ideal performance.

5) A primary consideration in assigning a cost to a responsibility center is \_\_\_\_\_\_\_\_.

A) whether the cost is fixed or variable

B) whether the cost is direct or indirect

C) who can best control the change in that cost

D) where in the organizational structure the cost was incurred

Q. 3 While preparing a budget for 20xx-20yy for a consulting firm, the following details were available for 3 projects scheduled for that year. Assume that there would not be any excess manhours once the professionals are deployed in these 3 projects (no excess capacity).

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Project A | Project B | Project C |
| Billable revenue per hour | 500 | 750 | 1000 |
| Direct cost per hour | 300 | 500 | 750 |
| Billable hours required to complete the project in 20xx-20yy | 7,000 | 10,000 | 7,000 |
| Penalty for time overrun (Rs. Per hour) | 200 | 250 | NIL |

1. Based on the above data, fill in the blanks in the table below:

|  |  |
| --- | --- |
| Budgeted Revenue for 20xx-20yy |  |
| Budgeted margin (direct revenue – direct cost) for 20xx-20yy |  |

1. During the year 20xx-20yy, if there had been time overrun of 100 hours on project B, from which project you would recommend transfer of the manpower? In doing so, what would be the loss/gain at the company level?

|  |  |
| --- | --- |
| Transfer 100 hours from | Project A or Project C or None |
| Gain/loss due to redeployment |  |

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