

Seat No.: _____

Enrolment No. _____

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA – SEMESTER 02– • EXAMINATION – SUMMER 2015

Sample Paper

Subject Code: 2820001

Subject Name: Cost and Management Accounting

Date: // 2015

Time:

Total Marks: 70

Instructions:

- 1. Attempt all questions.**
- 2. Make suitable assumptions wherever necessary.**
- 3. Figures to the right indicate full marks.**

Q.1. From the four alternative answers given against each of the following cases, indicate the correct answer:(just state A, B, C or D) **[6]**

1. The variable cost of a product increases by 10% and the management raise the unit selling price by 10%. The fixed cost remain unchanged. Then BEP of the firm _____
A..increases
B. decreases
C. remain the same
D. None of the above
2. In a factory where standard costing is followed, 4,600 Kg. of materials at Rs. 10.50/Kg. were actually consumed resulting in a price variance of Rs. 4,800 (A) and usage variance of Rs. 4,000 (F). The standard cost of actual production is Rs. _____
A. 1,00,000
B. 96,000
C. 1,20,000
D. None of the above
3. The output of three different products P, Q and R in a factory are 20,000 kg., 15,000 kg. and 15,000 kg. respectively. If the costs are in the proportion 4:6:7 then what is the cost per equivalent unit
A. 10
B. 7
C. 5
D. None of the above
4. The budgeted fixed overheads for a budgeted production of 10,000 units is Rs. 20,000.

For a certain period the actual production was 11,000 units and actual expenditure came to Rs. 24,000. Then what is the volume variance?

A. 4,000 (A)

B. 2,000 (F)

C. 2,000 (F)

D. None of the above

5. In case of customer specific order which costing method is used?

A. Job Costing

B. Unit costing

C. Marginal Costing

D. Process Costing

6. In which type of costing method the cost allocation base is not taken on the basis of assumption

A. Job Costing

B. Unit Costing

C. ABC Costing

D. All of the above

Q.1.(B) Explain the following terms

[4]

1) Cost Driver

2) Multiple cost unit

3) Cost Centre

4) Batch Costing

Q.1. (C) Super Toys Ltd manufacturers low range mechanics toys. Fixed costs amounted to Rs 2,70,000 per year. Variable costs per toy are Rs 23, and the average price per toy is Rs 50. [4]

1) How many toys must Super Toys sell to break even?

2) If Super Toys sells 16,000 toys a year, what is the operating income?

Q.2. (A) How do the managers decide whether the cost is a direct cost or indirect cost? Illustrate [7]

Q.2. (B) Following are the particulars of M/s Ram Manufacturing Co. Ltd: [7]

Stock of finished goods as on 31 Dec 2006	Rs. 72,800
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Stock of raw materials as on 31 Dec 2006	33,280
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Purchase of raw materials	7,59,200
Productive wages	5,16,880
Sales of finished goods	15,39,200
Works overhead charges	1,29,220
Office overhead expenses	70,141
Stock of raw material as on 31 Dec 2007	35,360
Stock of finished goods as on 31 Dec 2007	78,000

Prepare **cost sheet** for the year ended on 31 Dec 2007 showing 1) Prime Cost 2) Works Cost 3) Cost of Production 4) Total Cost and 5) Profit

[OR]

Q.2. (B) A transport service company is running 5 buses between 2 towns which are 50 kms apart, seating capacity of each bus 50 passengers. The following particulars were obtained from their books for April 2005 :

Particulars	Amount (Rs)
Wages of drivers, conductors and cleaners	24,000
Salaries of office staff	10,000
Diesel, Oil	35,000
Repairs and Maintenance	8,000
Taxation and Insurance	16,000
Depreciation	26,000
Interest and other expenses	20,000

Actually, passengers carried were 75% of seating capacity. All buses ran on all days of the month. Each bus made one round trip per day. Find out cost per passenger km.

Q.3. (A) Explain operating costing and target costing. Explain Activity based costing and benefits of ABC costing **[7]**

Q.3 (B) Paras Products uses a job-costing system with two direct-cost categories (direct materials and direct manufacturing labor) and one manufacturing overhead cost pool. Paras allocates manufacturing overhead costs using direct manufacturing labor costs. Paras provides the following information: **[7]**

Particulars	Budget for Year 1	Actual results for Year 1
Direct materials costs	Rs 7,50,000	Rs 7,25,000
Direct manufacturing labor costs	5,00,000	4,90,000
Manufacturing overhead costs	8,75,000	9,31,000

1. Compute the actual and budgeted manufacturing overhead rates for Year

2. During March, the job-cost record for Job 626 contained the following information:

- a. Direct materials used Rs 20,000
- b. Direct manufacturing labor costs Rs 15,000

Compute the cost of Job 626 using (a) actual costing and (b) normal-costing.

[OR]

Q.3. (A) Differentiate between Job and Batch Costing.

[7]

Q.3 (B) An article has to undergo three different processes before it becomes ready for sale. **[7]**
From the following information, **prepare process accounts** showing total cost and cost per unit if 200 units of that article were manufactured for the year ended on 31 Dec 2006

	Process 1 (Rs.)	Process 2 (Rs.)	Process 3 (Rs.)
Material	2,000	1,000	750
Labour	1,500	2,500	1,000
Direct Expenses	400	200	300

Total indirect expenses amounted to Rs. 2000 and are to be allocated on the basis of labour for each process.

Q.4 (A) Explain the importance of Cost Accounting Standards from viewpoint of Economic Development?

[7]

Q.4. (B) Super Toys Ltd manufacturers low range mechanics toys. Fixed costs amounted **[7]**
to Rs 2,70,000 per year. Variable costs per toy are Rs 23, and the average price per toy is Rs 50.

- 1) How many toys must Super Toys sell to break even?
- 2) If Super Toys sells 16,000 toys a year, what is the operating income?
- 3) If Super Toys variable costs decrease to Rs. 20 per toy while the price and fixed costs remain unchanged, what is the new break-even point?

[OR]

Q.4. (A) Write shortnote on Cost Volume Profit analysis [7]

Q.4. (B) The joint cost of making 50 units of Product A, 100 units of Product B and 150 units of Product C is Rs 900. The selling prices of product A, B and C are Rs 2, Rs 3 and Rs 4 respectively. The products did not require any further processing costs after the split off point. You are required to apportion the joint cost 1) On sales value basis 2) On sales price basis 3) Physical units basis [7]

Q.5. Dr Sharma is employed by Dental Associates. Dental Associates recently installed a computerized job-order costing system to help monitor the cost of its services. Each patient is treated as a job and assigned a job number when he or she checks in with the receptionist. The receptionist-bookkeeper notes the time the patient enters the treatment area and when the patient leaves the area. This difference between the entry and exit times is the number of patient-hours used and the direct labour time assigned to the dental assistant. (A dental assistant constantly with the patient). The direct labour time assigned to the dentist is 50% of the patient hours. (The dentist typically splits her time between two patients). [14]

The chart filled out by the dental assistant provided additional data that is entered into the computer. For example, the chart contains service codes that identify the nature of the treatment, such as whether the patient received a crown, a filling, or a root canal. The chart not only identifies the type of service but its level as well. For example, if a patient receives a filling, the dental assistant indicated (by a service-level code) whether the filling was of one, two, three, or four surfaces. The service and service-level codes are used to determine the rate to be charged to the patient. The costs of providing different services and their levels also vary.

Costs assignable to a patient consists of materials, labour, and overhead. The types of materials used and the quantity are identified by the assistant and entered into the computer by the bookkeeper. Material prices are kept on file and accessed to provide the necessary cost information. Overhead is applied on the basis of patient-hours. Dental assistants are paid Rs 20 per patient-hour. Direct labour cost is also computed using patient-hours and the wage rates of the direct labourers. Dr Sharma is paid an average of Rs 36 per hour. Dental assistants are paid an average Rs 6 per hour. Given the treatment time, the software program calculates and assigns the labour cost for the dentist and her assistant; overhead cost is also assigned using the treatment time and the overhead rate.

Gandhi a patient (Job no 267), spent 30 minutes in the treatment area and had a two surface filling. He received two Novocain shots and used three ampoules of amalgam. The cost of the shots was Re.1 each. The cost of the amalgam was Rs 3. Other direct materials used are insignificant in amount and are including in the overhead rate. The rate charged to the patient for a two-surface filling is Rs 45.

Prepare the cost sheet for Gandhi and calculate the profit earned.

[OR]

Q.5. Parshwa Ltd is a ready-made garment manufacturers. It has four customers two
[14] wholesale and two retail channel customers. It has developed the following ABC system:

Activity	Cost driver	Rate in 2008
Order processing	Number of purchase orders	Rs 490
Sales visits	Number of customer visits	Rs 2860
Delivery – regular	Number of regular deliveries	Rs 600 per delivery
Delivery –rushed	Number of rushed deliveries	Rs 1700 per delivery

Item	Wholesale customers		Retail customers	
	Vimal	Chopra	Classic	Design
Cost of Sales	1,54,88,000	1,09,12,000	55,96,800	55,00,000
Total number of orders	88	124	424	500
Total number of sales visits	16	24	44	40
Regular deliveries	82	96	332	380
Rush deliveries	6	28	92	120
Average number of suits per order	800	400	60	50
Average selling price per suit	Rs 280	Rs 320	Rs 340	Rs 360

Analyse the above data and compute the operating income for the above case and please comment on the method used by the company in computing the cost and income.