

**VPM's**  
**DR VN BRIMS, Thane**  
**Programme: PGDM (2016-18)**  
**First Trimester October 2016**

<b>Subject</b>	<b>Cost Accounting and Control</b>		
<b>Roll No.</b>		<b>Marks</b>	<b>60 Marks</b>
<b>Total No. of Questions</b>	<b>7</b>	<b>Duration</b>	<b>3 Hours</b>
<b>Total No. of printed pages</b>		<b>Date</b>	<b>04/10/2016</b>

**Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.**

**Q1) IA..... 20 Marks (Compulsory)**

Waterloo Sinks plc has just prepared its summarized profit and loss account for its last financial year.

	<b>£'000</b>	<b>£'000</b>
Sales (100,000 sinks)		2,000
Direct materials	600	
Direct labour	500	
Fixed production overhead	400	
Variable production overhead	100	
Selling and administration overhead	<u>600</u>	<u>2,200</u>
Loss		<u>(200)</u>

The Directors are anxious to take remedial action to improve the company's trading position and, at the next Directors' meeting, the following separate proposals will be considered.

- A. Pay salesmen a commission of 10 per cent of sales and hence increase sales to reach break-even point.
- B. Increase sales through extra advertising of £ 400,000 together with a rise of 20 per cent in selling price, to reach a profit target of 10 per cent of sales.
- C. Cut selling price by 15 per cent, which is estimated to increase sales volume by 45 per cent. In addition, a cost-cutting review of fixed overheads could result in annual savings of £ 150,000.

**REQUIRED:**

As Management Accountant, you have been requested by the Chairman to evaluate each of these alternative proposals and comment briefly on each.

**IB.....10 Marks**

The following information of Alok Ltd is given to you,

Consumable material: Rs.

Opening stock 20,000

Purchases 1,22,000

Closing stock 10,000

Direct wages 36,000

Direct Expenses 24,000

Factory overheads 50 % of direct wages

Office and administration overheads 20% of works cost

Selling and distribution expenses Rs.3 per unit sold

Units of finished goods

In hand at the beginning of the period (Value Rs. 12500) 500

Units produced during the period 12,000

In hand at the end of the period 1,500

Find out the selling price per unit if 20% profit on selling price. There is no work-in-progress either at the beginning or at the end of the period.

(a) You are required to prepare Cost Sheet for the period ended on 31st march 2006

(b) If you were a proprietor Alok Ltd, what changes would you do in the above cost composition to increase your profits.

(c) What are Budgets, List down the advantages of Budgeting.

**Attempt Any FOUR from the Remaining SIX Questions**

**Q2) Any two from (i) or (ii) or (iii) ————— (5x2) = 10 Marks**

a) What is budgetary control, how does it help in reducing cost.

b) You are given the following data, Calculate

(i) Break even point

(ii) Sales to earn profit of 20000

Fixed cost 150000

Variable cost 15 per unit

Selling price is 30 per unit

c) A company has a P/V ratio of 40%, by what % must sales be increased to offset 20% reduction in selling price.

**Q3) Any two from (i) or (ii) or (iii) ————— (5x2) = 10 Marks**

A Chinese soft drink company is planning to establish a subsidiary company in India to produce mineral water. Based on the estimated annual sales of 40000 bottles of the mineral water, cost studies produced the following estimates for the Indian subsidiary:

	Total annual costs	Percent of Total Annual Cost which is variable
Material	210000	100%
Labour	150000	80%
Factory Overheads	92000	60%
Administration Expenses	40000	35%

The Indian production will be sold by manufacturer's representatives who will receive a commission of 8% of the sale price. No portion of the Japanese office expenses is to be allocated to the Indian subsidiary. You are required to

(i) Compute the sale price per bottle to enable the management to realize an estimated 10% profit on sale proceeds in India.

(ii) Calculate the break-even point in Rupee sales as also in number of bottles for the Indian subsidiary on the assumption that the sale price is ₹ 14 per bottle.

**(iii) What suggestion in terms of strategies to be adopted would you give to the Chinese company in order to get maximum profits.**

**Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

The following information is extracted from stores ledger of Material Z

Opening stock

Nil

Purchases

Feb 1 200 @ 2 per unit

Feb 20 200 @ 4 per unit

Issues

Feb 22 120 for Job W16

Feb 23 120 for Job W 17

a) Calculate the receipt and valuation by adopting FIFO

b) LIFO

c) Weighted average method

**Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

Name of the materials

	Standard		Actual	
	Qty (units)	Price	Qty (units)	Price
ZEE	3500	10	3700	12
WEE	1500	21	1650	20
TEE	1000	33	1250	36

(a) Calculate Material Cost Variance

(b) Material Price and Usage variance

(c) Material Mix and Yield Variance

**Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

- a) What is inventory management ,explain its importance in E commerce industry ?
- b) What is zero base budgeting, explain with examples ?
- c) 100 skilled workmen, 40 semi skilled workmen and 60 unskilled workmen were to work for 30 weeks to get a contract job completed. The standard weekly wages were rs 60 rs 36 and 24 respectively. The job was actually completed in 32 weeks by 80 skilled, 50 semi skilled and 70 unskilled workmen who were paid 65,40 and 20 respectively as weekly wages.  
Find out labour cost variance, labour rate variance and labour mix variance.

**Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks**

Lothian Motor Co produce four models of high quality saloon cars – Castle, Rock, Salisbury and Morningside. Despite the fact that the company operates a three-shift system, productive capacity is constrained by the available man-hours. Monthly total capacity is 15,350 man-hours, whilst fixed costs are £ 700,000 per month.

	<b>Selling price (£)</b>	<b>Variable cost (£)</b>	<b>Maximum monthly demand</b>	<b>Man-hours per model</b>
Castle	4,800	3,200	250	25
Rock	5,700	4,200	170	30
Salisbury	6,900	5,000	100	40
Morningside	10,000	6,500	80	50

**REQUIRED:**

- (a)What would be the best product sales combination to maximize monthly net profit? (Assume that there is no opening or closing stock).
- (b) Market research has indicated that monthly sales of the Morningside saloon would rise by 50 per cent if additional special advertising expenditure of £ 50,000 per month were incurred. Would you recommend to management that this step be taken?
- (c)Differential between cost and management accounting