

VPM's
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Programme: PGDM (2017-19)
PGDM Trimester I September 2017

Subject	Cost Accounting and Control		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	2	Date	23/09/2017

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

Q1) 20 Marks (Compulsory) Refer to the case attached at the end.

A manufacturer has shown an amount of ` 19,310 in his books as 'Establishment' which really include the following expenses:

Raw materiel - 5000
 Agents' commission 6,750
 Wages 1,800
 factory repairs 1,500
 Lighting of office 70
 Office salaries 1,130
 Director's remuneration 1,400
 Traveling expenses of salesmen 1,760
 Rent, rates and insurance of warehouse 310
 Rent, rates and insurance of office 230
 Lighting of warehouse 270
 Printing and stationery 1,500
 telephone charges 70
 fax charges 150
 Bad debts 300

- (a) You are required to prepare a cost sheet based on the above information.
 (b) What is the purpose of preparing a cost sheet ?

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

In a factory 100 workers are employed and standard average rate is rs 50 per hour. Standard working hours per week are 40 and the standard performance is 10 per unit per hour. During a week, wages are paid for 50 workers at the rate of 50 per hour, 10 workers at 70 per hour and 40 workers at 40 per hour. Actual output was 380 units. The factory did not work for 5 hours due to breakdown of machinery. Based on the following information calculate

- (a) Labour Cost Variance
 (b) Labour Rate Variance
 (c) Idle time variance

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

During the year 2013, life works Inc had 10,000 in sales commission, 2000 in administration cost out of which 800 was fixed. They sold 8500 units and produced 10000 unis. The selling price per unit was 45, direct material was 10, direct labor 7 variable overhead 3.50 fixed overhead 7500.

- (a) Prepare income statement under Absorption
 (b) Prepare income statement under variable costing method.
 (c) Explain what is margin of safety.

Q4) Any two from (i) or (ii) or (iii) ————— (5x2) = 10 Marks

Lothian Motor Co produces 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.

	Selling price (£)	Variable cost (£)	Maximum monthly demand	Man-hours per model
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

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

The following information is extracted from Z ltd, your required to prepare stores ledger.

Jan 1st Received 500 units @ 20

Jan 10th Received 300 units @ 24

Jan 15th Issued 700 units

Jan 20th Received 400 units @28

Jan 25th Issues 300 units

Jan 27th Received 500 @22

Jan 31st Issued 200 unis

(a) Using LFO method

(b) Using FIFO method

(c) Using Weighted average.

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

a) Explain the concept of target costing ?

b) What is a sales budget? 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

(a) What cost reduction strategies should a news paper printing press should adopt?

(b) Explain the concept of breakeven point with examples?

(c) What are the cost control strategies that should be adopted by e commerce industries?