

CMA02
Cost & Management Accounting
SECTION- A

Roll No: _____ **Total no. of printed pages:** 4
Total no. of questions: 5+5 **Maximum Marks:** 30+30
Duration: 3 Hours

Instruction:
Section A and B to be solved on separate answer sheets.
In Section A Question No. 1 and 2 both are compulsory
In Section A solve any 2 questions from Question No. 3 to 5

- 1) Explain briefly the types of costing with the help of examples (5 M)
- 2) Explain Cost, Expenses and Loss in detail with help of examples (5 M)
- 3) Happy Ltd. manufactures and sells air conditioners under brand name Krish. The cost data for the year ended 30.9.2009 indicates the following information: (10 M)

Quantity of material consumed per unit Kg.	20
Material consumed per unit	2000
Labour consumed per unit	800
Direct Expenses per unit	200
Factory overheads for the year	4,80,000
Office overheads for the year	3,48,000
Selling Expenses including dealers commission for the year	12,00,000
Distribution cost per unit	72
Units manufactured and sold	1,000
Sale price per unit	6,000

The company plans to double its production in 2009-2010 and expected the following changes that will take place in the cost structure.

C

- i) Material consumed per unit will reduced by 10% because of improved design but the prices of material are expected to rise by 20% over the level of previous year.
 - ii) Labour cost per unit will increased by 25%.
 - iii) Direct Expenses per unit will remain unchanged.
 - iv) Factory Overheads will increase by 50% over the level of earlier year because of increased output and increased prices.
 - v) Administrative Overheads will change marginally and the same will be Rs. 4,00,000
 - vi) Selling and distribution expenses will bear the same percentage to sales as in the earlier year.
 - vii) Distribution overheads will be Rs. 100 per unit.
 - viii) The company desires the same margin of profit as in the earlier year.
- Prepare cost sheet and suggest the Sales Price.

4) M/s. Salman Co. Ltd. manufacture 1 item which is produced in 3 stages i.e. A, B and C. From past experience the company has ascertained that the normal loss in each process is as follows:

Process A: 5%

Process B: 10%

Process C: 15%

During the month of January, 2009 production was started with 20,000 units of raw material costing Rs. 10 each. The following are the details for the month: (10 M)

	Process A	Process B	Process C
Indirect Materials	20,500	76,250	22,000
Electricity Expenses	6,250	12,500	10,750
Labour Charges	35,000	63,000	48,500
Overheads	33,250	64,250	53,750
Output (Units)	19,000	15,000	10,000
Output (Sold Units)	3,000	3,000	3,000
Sale Price of Output (per Unit)	20	35	50
Sale Price of Units lost (per Unit)	10	15	20

You are required to prepare Process Cost Accounts indicating clearing the Profit and Loss on Units sold for each process.

5) Apple company furnishes you with the following information about its 1000 TV sets manufactured and sold during the year:

(10 M)

	Rs.		Rs.
Materials	18,00,000	Office and Administrative Expenses	6,80,000
Direct Wages	10,00,000	Selling and Distribution Expenses	1,20,000
Power and Stores	2,40,000	Sale of Scrap	40,000
Indirect Wages	3,00,000	Sale of 1000 TV Sets	62,00,000
Factory Lighting	1,20,000	Repairs and Depreciation of Machinery	2,00,000
Cost of rectifying defective work	60,000		

Prepare the cost sheet for the above year, showing the elements of cost per unit.

Prepare also the estimated cost sheet for the next year assuming that:

- Materials cost and direct wages cost will increase by 10% and 15% respectively.
- Factory overheads will be recovered as a percentage of direct wages as last year.
- Office overheads and selling overheads will be recovered as percentage of works cost, as last year, and
- 1500 TV sets will be produced and sold at Rs. 6,600 each in the next year.

Section: B

Total no. of questions: 5

Marks: 30

Note:

Answer any three questions. Marks will be awarded for to the point answers. Marks will be deducted for too long and illogical answers. All questions carry equal marks.

Q.1. From the following data, calculate break even point expressed in terms of units and also the new break even point, if selling price is reduced by 10%.

Fixed cost Rs. 2, 00,000
Variable cost Rs. 5/- per unit
Selling price Rs. 10/- per unit

Q.2. A radio manufacturing company finds that while its costs Rs. 6.25 to manufacture component X 1010, the same is available in the market at Rs. 4.85 each, with an assurance of continuous supply. The break down of cost is:

Material	Rs.2.75 each
Labour	Rs. 1.75 each
Variable overheads	Rs.0.50 each
Fixed cost	Rs.Rs.1.25 each

Should you make or buy?

Q.3. Explain various steps in budgetary control process giving examples at each step.

Q.4. A company has two divisions A and B. Both the divisions are considering an outlay on new projects. The relevant data is as follows:

	Division A	Division B
Investment outlay	Rs. 1 lakh	Rs. 1 lakh
Net return on new investment	Rs. 16000	Rs.11000
Current ROI	18%	11%

Should the project be accepted or rejected?

Q.5. Explain the following with example:

- (a) Responsibility accounting
- (b) Transfer pricing