MMS-II

CMA02

Cost & Management Accounting 20/4/12 20-04-2012

Roll No: ____________ **Total no. of printed pages:** 06

Total no. of questions: 5 + 3 = 8 **Maximum Marks:** 30+30 = 60

Duration: 3 Hours

Section: A

Note: (For Section A)

Question No. 1 and 2 both are compulsory

Solve any 2 questions from Question No. 3 to 5

Section A and B to be solved on SEPARATE Answer books.

Q. 1 Explain Features, Advantages and Pre-requisites for Responsibility Accounting in detail **(5 M)**

Q. 2 Explain the terminology Normal Loss and Abnormal Loss in detail with the help of suitable example **(5 M)**

Q. 3 Following information has been provided from the records of Katrina Manufacturing Company for January, 2010. **(10 M)**

Sales for the month	1,50,000
Cost of goods sold	1,24,000
Direct Labour	32% of prime cost
Direct Expenses	18% of prime cost

Raw Material consumed were 50% of Prime Cost.

Factory overheads 20% of prime Cost

The opening Stock and Closing Stock were as follows:

	Opening Stock	Closing Stock
Raw Materials	16,000	20,000
Work-in-Progress	16,000	24,000
Finished Foods	21,000	17,000
General & Administrative Expenses		8,000
Selling Expenses		2,421

Prepare statement showing Raw Material purchased, cost of goods produced and profit earned.

Q. 4) Rekha Ltd. manufactures a yarn product. The product passes through 3 consecutive Processes F.Y., S.Y., T.Y. Relevant details for the month of March, 1996 are as under **(10 M)**

	F.Y. Process	S.Y Process	T.Y Process
Quantitative Information in Kilograms:			
Basic Input Kilograms @ Rs. 10 per Kilogram	2000		
Output during the month	1950	1925	1679
Stock of Process Output			
On 1st March, 1996	200	300	100
On 31st March, 1996	150	400	59
Percentage of Normal Loss to Input in process	2%	5%	8%
Monetary Information	Rs.	Rs.	Rs.
Process Material	9,000	2,100	2,716
Wages	9,064	1,860	4,000
Value of Opening Stock	3,880	6,720	2,800
Scrap Value per Kilogram	Re. 1	Rs. 2	Rs. 4

Closing Stock is to be valued at the respective cost of each process. Prepared Process Accounts, Process Stock Accounts, Abnormal Loss and Abnormal Gain account. Find out the costing profit, when the sales out of T.Y. process stock are made at Rs. 40 per Kilogram.

Q. 5) a) ABC Ltd. has three division A, B and C. The Operating results of the three divisions are as follows: **(5 M)**

	Division A	Division B	Division C
Sales	5,00,000	5,00,000	10,00,000
Less: Cost	4,00,000	3,00,000	6,00,000
Profit	1,00,000	2,00,000	4,00,000
Investment	3,00,000	5,00,000	15,00,000

i) You are required to determine the three divisions and rank these divisions on the basis of their performance.
ii) Determine residual income (RI) of the three divisions and rank them assuming cost of capital is 15%.

Q. 5) b) Mr. Krishna furnishes the following data relating to the manufacture of a standard product during the month of April 2011: **(5 M)**

Raw Materials Consumed	Rs. 15,000
Direct labour charges	Rs. 9,000
Machine hours worked	900
Machine hour rate	Rs 5
Administration overheads	20% on works cost
Selling overhead	Re. 0.50 per unit
Units produced	17,100
Units sold	16,000 at Rs 4 per unit

You are required to prepare a cost sheet from the above, showing:

i) The cost per unit

ii) Cost per unit sold and profit for the year

SECTION B (Marks : 30)

NOTE : All Questions are Compulsory.

Q 1) Attempt Any two : **10 MARKS**

A) Define Marginal cost and explain advantages and disadvantages of Marginal Costing Technique

B) Mr. X has Rs. 2,00,000 investments in his business firm. He wants a 15 per cent return on his money . From an analysis of recent cost figures, he ,finds that his variable cost of operating is 6o per cent of sales, his fixed costs are Rs. 80000 per year. Show computations to answer the following questions (1) What sales volume must be obtained to break even ?

(2) what sales volume must be obtained to get 15% cent return on investment

3) Mr.X. estimates that even if he closed the doors of his business he would incur Rs 25000 as expenses per year .As what sales would he be better off by locking his business up .

C)Explain Difference Between Financial accounting and Managerial Accounting

Q 2) Attempt Any two: **10 MARKS**

A) C Ltd manufactures a single product for which market demand exists for additional quantity. Present sale of Rs 60000/- per month utilizes only 60% capacity of the plant .Sales manager assures that with a reduction of 10% in the price he would be in a position to increase the sale by about 25%to 30%
The following data are available:

Selling price	Rs. 10 per unit.
Variable Cost	Rs. 3 per unit.
Semi Variable Cost	Rs. 6,000 fixed plus Rs. 0.50 per unit
Fixed Cost	Rs. 20,000 at present level estimated to be Rs. 24,000 at 80% output.

You are required to submit the following statements to the board showing :

Fixed Cost Rs. 20,000 at present level estimated to be Rs. 24,000 at 80% output.

You are required to submit the following statements to the board showing :

. (1) The operating profits at 6o% ,7o% and 8o % levels at current selling price and at proposed selling price.

. (2) The percentage increase in the present output which will be required to maintain the present profit margin at .the proposed selling price.

B) S. Ltd. furnishes you the following information related to half year ending 3oth June 2011

Fixed expenses	Rs 50000/-
'Sales value	2,00,000
Profit	Rs. 50.000

During the second half of the same year the company has projected a loss of Rs 10000/- Calculate

1) P/V Ratio, Break even Point ,and margin of safety for six months ending 3oth June 2011.
2) Expected sales volume for second half year assuming that selling price and fixed expenses remain unchanged in the second half year also.

C) Explain types of Overhead Budget and methods of Preparing Cash Budgets.

Q 3)Attempt Any two **10 MARKS**

A) The cost of an article at a capacity level of 10000 units is given under For variation in capacity level above or below this level ,the individual expenses vary as indicated below

	Product A	Product B
Material cost	Rs 50000/-	100% Varying
Labour cost	30,000	100% Varying
Power	3000/-	80% Varying
Repairs and maintenance	3500/-	80%
Stores	2000/-	100%
Inspection	800/-	25%vaying

Depreciation	10000/-	100%
Administration overhead	3600/-	25%vaying
Selling overhead	4500	5o%vaying
Total	107400	
Cost per unit	10.74	

Draw Flexible budget and Find out the unit of the product under each individual expenses at production level of 8000 units and 12000 units.

B)Y company has just been incorporated and plans to produce a product that will sell for Rs 10 per unit .Preliminary market surveys show that the demand will be around 10000units per year

The company has the choice of buying one of two machines ,each of which has capacity of 10000 units per year .Machine A would have fixed costs of RS 30000 per year and would yield a profit of Rs 30000/- per year on sale of 10000 units. Machine B would have fixed costs of Rs 18000/-per year and would yield a profit of Rs 22000/- per year on sale of 10000 units

variable costs behave linearly for both machines. Required:

(a) Break-even sales for each machine.

(r) Sales level where both machines are equally profitable.

- (c) Range of sales where one machine is more profitable than the other.

C) What do you understand by Transfer Price? Explain various methods of transfer pricing