MMS-II

Cost & Management Accounting 22/4/13

CMA02

22-04-2013

Roll No.
Total No. of Questions :7
Duration(hrs.) : 3 hrs.
Total No. of Printed Pages: 4
Maximum Marks : 60

Note: Question No. 1 is compulsory, carry 20 marks
Attempt Any 4 out Of Remaining 6 Questions each question carry 10 marks

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Q. 1) Mahindra and Mahindra 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: **(10M)**

	F.Y. Process	**S.Y Process**	**T.Y Process**
Quantitative Information in Kilograms:			
Basic Input Kilogarms @ 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. 1 b) ABC Pvt. Ltd, a new comer in small manufacturing firm of formals and casuals wears. Product range includes, shirts and T- Shirts (Full & Half sleeves), trousers and jeans, cargos, etc...
As it is a newly introduced firm, the burden is on the Finance Manager of deciding the Accounting method for maintaining books of Account in a factory.
By considering all the factors determining cost, such as cost structure, condition of market, type of consumer, area of distribution, capacity of supply, product's demand & supply, etc... Manager has decided to follow the Cost Accounting for maintaining factory A/c or detailed & relevant cost figure of closing stock, raw material, work-in-progress and finished goods. This helped the manager to find out most suitable and accurate cost per unit. These also helped him to avoid – material wastages, use of obsolete machinery, poor planning, etc...
They took control over material, labour and overhead expenses, and started discussing day-to-day operations of business, so they can take remedial actions. Moreover, introduction of a cost reduction programme combined with operational research and value analysis leads to improvement in economic as well as financial condition of the firm.

Questions:
(1)How cost Accounting helps the firm in determining the Selling Price? **(3M)**
(2) According to you, by adopting Cost Accounting method, Can a firm prepare a

Financial Statement? **(3M)**

(3) From the case, what are the benefits/ Advantages enjoyed by a firm, by adopting Cost Accounting? **(4M)**

Q. 2) Answer any two from the following 3 question **(10 M)**

a) The following information has been made available from the records of Jalaram Tools Ltd. for the six months of 2010 (and the sales of January 2011) in respect of Product X

i) The units to be sold in different months are:

July 2010	1,100	November 2010	2,500
August 2010	1,100	December 2010	2,300
September 2010	1,700	January 2011	2,000
October 2010	1,900		

ii) There will be no WIP at the end of any month

iii) Finished units equal to half the sales of the next month will be in stock at the end of every month (including June 2010)

iv) Budgeted production and production cost for the year ending 31st Dec. 2010 are thus:

Production (units)	22,000
Direct materials per unit	Rs. 10
Direct Wages per unit	Rs. 4
Total factory overhead apportioned to production	Rs. 88,000

You are required to prepare:

i) Production Budget for the six months of 2010, and

ii) Summarized Production Cost Budget for the same period.

b) Prepare a flexible budget for the overheads of Damodar Ltd. from the following data and ascertain the overhead rates based on direct labour hrs. at 50%, 60% and 70% capacity:

	At 60% capacity
Variables Overheads:	
Indirect Material	Rs. 6,000
Indirect Labour	Rs. 18,000
Semi-Variable Overheads:	
Electricity (40% fixed, 60% variable)	Rs. 30,000
Repair (80% fixed, 20% variable)	Rs. 3,000
Fixed Overheads:	
Depreciation	Rs. 16,500
Insurance	Rs. 4,500
Salaries	Rs. 15,000

Estimated direct labour hours 1,86,000 hrs.

c) A company is expecting to have Rs. 25,000 cash in hand on 1st April 2010 and it requires you to prepare cash budget for the three months. April to June 2010. The following information is supplied to you.

	Sales (Rs.)	Purchase (Rs.)	Wages (Rs.)	Expenses (Rs.)
February	70,000	40,000	8,000	6,000
March	80,000	50,000	8,000	7,000
April	92,000	52,000	9,000	7,000
May	1,00,000	60,000	10,000	8,000
June	1,20,000	55,000	12,000	9,000

Other information:

i) Period of credit allowed by suppliers is two months;
ii) 25% of sales are for cash and the period of credit allowed to customers for credit sale is one month;
iii) Delay in payment of wages and expenses one month;
iv) Income Tax Rs. 25,000 is to be paid in June 2010
Prepare a Cash Budget.

Q.3) Answer any two from the following 3 question **(10 M)**
a) Explain advantages of Cost Accountancy with the help of suitable examples?
b) Explain Features of Responsibility Accounting?
c) Mention difficulties in installation of costing system

Q.4) Answer any two from the following 3 question **(10 M)**
a) Explain the term Joint Cost with the help of suitable examples
b) Explain the term Common Cost with the help of suitable examples
c) Wipro India Ltd has three divisions. It is considering making additional investment in one of these divisions. The relevant information is given below:

	Division X (Rs.)	Division Y (Rs.)	Division Z (Rs.)
Additional investment	5,00,000	5,00,000	5,00,000
Net Profit on additional investment	70,000	65,000	85,000
Current ROI	15%	16%	14%

The cost of capital is 12%. In which division should the investment be made?

Q. 5) Answer any two from the following 3 question **(10 M)**
a) Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity.

	At 80% capacity (Rs.)
Variable Overheads:	
Indirect Labour	12,000
Stores including spares	4,000
Semi-Variable Overheads:	
Power (30% fixed, 70% variable)	20,000
Repairs and Maintenance (60% fixed, 40% variable)	2,000
Fixed Overheads:	
Depreciation	11,000
Insurance	3,000
Salaries	10,000
Total Overheads	**62,000**

Estimated Direct Labour hours 124000 hrs.

b) Prepare a Flexible Budget for production at 80% and 100% activity on the basis of the following information:

Production at 50% capacity	5,000 units
Raw Materials	Rs. 80 per unit
Direct Labour	Rs. 50 per unit
Direct Expenses	Rs. 15 per unit
Factory Expenses	Rs. 50,000 (50% fixed)
Administration Expenses	Rs. 60,000 (60% variable)

c) The sales manager of Kuldeep & Co. Ltd. reports that next year he expects to sell 50,000 units of a certain product.
The production manager consults the storekeeper and casts his figure as follows: Two kinds of raw materials A and B are required for manufacturing the product. Each unit of the product requires 2Kg of A and 3Kg of B. The estimated opening balances at the commencement of the next year are Finished Product 10,000 units; A-12,000Kg; B-15,000Kg. The desirable closing balances at the end of the next year are: Finished product- 14,000 units; A-13,000Kg; B-16,000Kg.
Draw up a Materials Purchases Budget for the next year.

Q. 6) Answer any two from the following 3 question **(10 M)**
a) From the following data compute:
i) Break-even point expressed in sales rupees
ii) Number of units to be sold to earn a profit of Rs. 6,00,000 a year.

	Rs.
Sales	20 per unit
Variable manufacturing cost	11 per unit
Variable selling cost	3 per unit
Fixed factory overhead	5,40,000 per year
Fixed selling costs	2,52,000 per year

b) You are given the following data for the coming year for Kalra Ltd.

	Rs.
Budgeted Output	8000 units
Fixed expenses	4,00,000
Variable expenses per unit	10.00
Selling price per unit	20.00

Draw a break-even chart showing the break-even point. If the selling price reduced to Rs. 18 per unit, what will be the new break-even point?

c) For production of 1000 units, the following costs are incurred:

	Rs.
Direct Materials	48,000
Direct Labour	32,500
Variable on cost	4,500

Unit Selling Price Rs. 105/-. Gross Profit Rs.15/- per unit. Find Fixed Cost.

Q. 7) Answer any two from the following 3 question **(10 M)**
a) Distinguish between Process costing and Job Costing?
b) Explain four major types of Responsibility Centre with the help of suitable examples?
c) Explain objectives of Cost Accounting?