VPM's
DR VN BRIMS, Thane
Programme: MMS (2016-18)
Second Semester Examination April 2017

Subject	**Cost & Management Accounting**		
Roll No.		**Marks**	**60 Marks**
Total No. of Questions	**7**	**Duration**	**3 Hours**
Total No. of printed pages	**3**	**Date**	**26.04.2017**

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

Q. 1

a) Fill in the blanks **(1 x 10 = 10 marks)**

i. All indirect costs are collectively called ----------.
ii. …… Loss is generally not controllable.
iii. Variable costs are fixed ……
iv. Raw Material consumed = Opening Stock of Raw Material + Raw Material Purchased -……...
v. Margin of Safety = Sales -
vi. A flexible budget recognizes the behavior of ---------- and ---------- costs.
vii. Normal idle time costs should be charged to ----------, whereas that due to abnormal reasons should be charged to ----------.
viii. For a hospital, the composite cost unit is ----------.
ix. For a Goods transport, the composite cost unit is ----------.
x. In marginal costing, the resource which is in short supply is called ----------

b) The following data are obtained from the records of a factory. **10 Marks**

	Rs.	**Rs.**
Sales 4,000 units @Rs.25 each		1,00,000
Materials consumed	40,000	
Variable overheads	10,000	
Labour charges	20,000	
Fixed overheads	18,000	88,000
Net profits		12,000

Calculate:

(i) The break-even point.
(ii) The sales needed to earn a profit of 20% on sales.
(iii) The extra units which should be sold to obtain the present profit, if it is proposed to reduce the selling price by 20%
(iv) The selling price to be fixed to reduce its break-even point to 500 units under present conditions.
(v) The Margin of safety.

Attempt Any FOUR from the Remaining SIX Questions

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

a) Distinguish between Financial Accounting & Management Accounting

b) When volume is 3000 units, average cost is Rs.4 per unit. When volume is 4000 units, average cost is Rs.3.50. The break-even point is 5000 units. Find the profit-volume ratio.

c) If margin of safety is 40% of sales, find fixed costs when profit is Rs.20,000.

Q3) ***Any two from (a) or (b) or (c)---------- (5x2) = 10 Marks***

a) State any 5 non-financial (qualitative) factors in decision making w.r.t. continue v/s shutdown the business operations.

b) The standard cost card for one unit of a product shows the following costs for material and labour:

Material: 4 pieces @ Rs.5.00

Labour: 10 hours @ Rs.1.50

5,700 units of product were manufactured during the month of Mach 2017 with the following material and labour costs:

Material: 23,000 pieces @ Rs.4.95

Labour: 56,800 hours @ Rs.1.52

Calculate appropriate Material Variances.

c) Calculate appropriate Labour Variances from the above data.

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

a) Distinguish between Budgeted Cost & Standard Cost

b) For PQR Ltd. If the margin of safety is ₹3,60,000 (45% of sales) and P/V ratio is 40%. Calculate Total Variable Cost and Break Even Sales.

c) Briefly explain the concept of "Goal Congruence Objective" w.r.t. transfer pricing decisions.

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

a) Distinguish between Absorption Costing & Marginal Costing

b) Calculate Break Even Sales from the following information :

	Year I	Year II
Total Sales	₹ 20,000	₹ 30,000
Total Cost	₹17,600	₹ 21,600

c) A Ltd. manufactures automobile parts. The following are the total costs of 1,00,000 units.

Material- Rs. 5 Lakhs

Labour- Rs. 8 Lakhs

Variable Factory Overheads- Rs. 6 Lakhs

Fixed Factory Overheads- Rs. 5 Lakhs

The purchase price of the component is Rs.22. The fixed overheads would continue to be incurred, even when the component is brought from outside, although there would have been reduction to the extent of Rs. 2 lakhs. Required:

i. Should the part be made or bought, considering that present facility would remain idle, if management follows buying decision?

ii. In case, the released capacity can be rented out to another manufacturer for Rs. 1,50,000 having good demand, what should be the decision?

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

a) State practical applications of Marginal costing in Decision Making.

b) A company has two divisions A & B. Division A transfers 500 units of X-25 to Division B at Rs. 29 per unit. Its variable cost is Rs. 10 per unit. Division A is not able to sell X-25 in the open market, in case of refusal of Division B to buy them. Division B incurs additional variable costs of Rs. 39 per unit of X-25 and produces X-30, which it sells in the market at Rs.90 per unit. Both the divisions have surplus production capacity. Division B can sell 7,200 units of X-30, if it reduces the selling price to Rs.80 per unit. The manager of Division B has proposed to reduce the transfer price of X-25 to Rs.12 per unit. Find out the contributions of the divisions & the company as a whole at the:

i. Existing transfer price

ii. Proposed transfer price

c) A hotel has a capacity of 100 Single rooms & 20 Double rooms. The average occupancy of both single & double rooms is expected to be 80% throughout the year of 365 days. The rent for double room has been fixed at 125% of the rent of single room. The costs are as under:

Variable Costs: Single room Rs. 2,200 each per day, Double room Rs.3,500 each per day

Fixed costs: Single room Rs.1,200 each per day, Double room Rs. 2,500 each per day

Above costs are calculated on the basis of current occupancy level.

Calculate the rent chargeable for the single & double rooms per day in such a manner that the hotel earns profit of 25% on cost at current occupancy level.

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

a) A company plans to sell 1,08,000 units of a certain product line in the first quarter, 1,20,000 units in second quarter, 1,32,000 units in third quarter, 1,56,000 units in fourth quarter and 1,38,000 units in the first quarter of the following year. At the beginning of the first quarter of the current year, there are 18,000 units in stock. At the end of each quarter, the company plans to have an inventory equal to one-sixth of the sale for the next quarter. How many units should be manufactured in each quarter of the current year?

b) A company has 200 hectares of land to grow tea, coffee and cardamom.

Crops	**Variable Cost per kg. (Rs.)**	**Yield per hectare (kgs.)**	**Selling price per kg. (Rs.)**
Tea	14	2000	20
Coffee	33	500	40
Cardamom	150	100	250

Fixed Costs: Rs. 18 lakhs

Area to be cultivated for each product:

Crop	**Maximum Hectares**	**Minimum Hectares**
Tea	160	120
Coffee	50	30
Cardamom	30	10

Calculate the most profitable crop mix and the amount of maximum profit at that mix.

c) Explain with example the following cost concepts:

i. Opportunity Cost
ii. Sunk Cost
iii. Joint Cost
iv. Marginal Cost
v. Imputed Cost