Paper / Subject Code: 71803 / Cost & Management Accounting

Program Code:- 2C00531

Time: 2 Hours

Total Marks: 60

N. B.: (1) All questions are compulsory carrying equal marks.
(2) Support your answer with required working notes.
(3) Round off upto two decimal points.
(3) Use of simple calculator is allowed.

1. Prepare a Cash Budget for the three months ending 30th June from the following information.

[15 Marks]

Month	Sales Rs.	Materials Rs.	Wages Rs.	Overheads Rs.
February	1,40,000	96,000	30,000	17,000
March	1,50,000	90,000	30,000	19,000
April	1,60,000	92,000	32,000	20,000
May	1,70,000	1,00,000	36,000	22,000
June	1,80,000	1,04,000	40,000	23,000

(a) Credit terms are- Sales/Debtors -10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.

(b) Creditors – Materials 2 months
Wages ¼ month
Overheads ½ month

(c) Cash and Bank balance on 1st April is expected to be Rs.60,000.

(d) Other relevant information are:

(i) Plant and Machinery will be installed in February at a cost of Rs.9,60,000. The monthly instalments of Rs.12,000 are payable from April onwards.

(ii) Dividend @ 5% on preference share capital of Rs.12,00,000 will be paid on 1st June.

(iii) Advance to be received for sale of vehicles Rs.90,000 in June.

(iv) Dividends from investments amounting to Rs.10,000 are expected to be received in June.

(v) Income tax (advance) to be paid in June is Rs.20,000.

OR

1. A factory is currently working at 50% capacity and produces 10,000 units. Prepare a Flexible Budget and estimates the Profits of the Company when it works at 60% and 80% capacity and advise the Company. At 60% working, Raw Material Cost increases by 2% and selling price falls by 2%. At 80%, Raw Material cost increases by 5% and selling price falls by 5%. At 50% capacity working the product costs Rs.180 per unit and is sold at Rs.200 per unit.

[15 Marks]

The unit cost of Rs.180 is made up as follows:

Material	Rs.100
Labour	Rs.30
Factory Overheads	Rs.30 (40% Fixed)
Administrative Overheads	Rs.20 (50% Fixed)

Also find out Break Even Point at the above stated capacity utilisation.

2. Mahi Transport Company operates a Luxury bus, which runs between Delhi to Jaipur and back for 10 days in a month. The distance from Delhi to Jaipur is 270 Kms. The bus completes the trip from Delhi to Jaipur and comes back on the same day. The bus goes on a Delhi-Agra trip for 10 days in a month. The distance from Delhi to Agra is 180 Kms. This trip is also completed on the same day. For 4 days of its operation in a month it runs in the local city. Daily distance covered in the city is 65 Kms. The other information is given below:

[15 Marks]

Particulars	Amount (Rs.)
Cost of Bus	15,00,000
Depreciation	15% per annum
Salary of Driver	9,000 per month
Salary of Conductor	8,000 per month
Salary of Part Time Accountant	4,500 per month
Insurance	10,800 per quarter
Diesel	49 per litre
Distance covered per litre	5 Kms
Token Tax	8,100 per quarter
Lubricant Oil	300 per 100 kms
Repairs and Maintenance	8,000 per month
Permit Fee	13,050 per quarter
Normal Capacity	50 persons

The bus is generally occupied 90% of the capacity when it goes to Jaipur and 80% when it goes to Agra. It is always full when it runs within the city. Passenger tax is 25% of the fare. Calculate the rate the company should charge a passenger when it wants to earn a profit of 33⅓% on its revenue.

OR

2. The standard mix to produce one unit of product is as follows. **[15 Marks]**

Material X 60 units @ Rs. 15 per unit =	Rs. 900
Material Y 80 units @ Rs. 20 per unit =	Rs.1600
Material Z 100 units @ Rs. 25 per unit =	Rs.2500
240 units	**5,000**

During the month of April, 10 units were actually produced and actual consumption was as follows:

Material X 640 units @ Rs. 17.50 per unit =	Rs. 11,200
Material Y 950 units @ Rs. 18 per unit =	Rs.17,100
Material Z 870 units @ Rs. 27.50 per unit =	Rs.23,925
2460 units	**52,225**

Calculate the following:

1. Material Cost variance 2225-(A)
2. Material Price Variance
3. Material Usage variance
4. Material Mix Variance
5. Material Yield Variance

3. A company annually manufactures and sells 20,000 units of a product, the selling price of which is Rs.50 and profit earned is Rs.10 per unit. **[15 Marks]**

The analysis of cost of 20,000 units is

Material Cost	Rs.3,00,000
Labour Cost	Rs.1,00,000
Overhead (50% variable)	Rs.4,00,000

You are required to compute:

(i) Contribution per unit

(ii) P/V Ratio

(iii) Break Even Sales in Rs.

(iv) Break Even Sales in Units

(v) Sales required to earn a profit of Rs.4,00,000

(vi) Profit when sales is 18,000 units

(vii) Margin of safety when actual sales is Rs.7,00,000

OR

3. The Cost Sheet of a product is as follows: **[15 Marks]**

Particulars	**Rs. Per unit**
Direct Material	10
Direct Wages	5
Factory Overheads:	
Fixed	1
Variable	2
Administrative Expenses (Fixed)	5
Selling and Distribution Expenses:	
Fixed	0.[illegible]0
Variable	1
Cost of Sales	21

The selling price per unit is Rs.25. The above cost information is for an output of 50,000 units, whereas the capacity of the firm is 60,000 units. A foreign customer is desirous of buying 10,000 units at a price of Rs.19 per unit. The extra cost of exporting the product is Rs.0.50 per unit. You are required to advise the manufacturer whether the order should be accepted?

4. **(A)**Rewrite the entire sentence selecting the most appropriate alternative with the given serial no.s without altering the order/sequence: **[08 Marks]**

1. Fixed Costs are fixed________
   (a) Totally
   (b) Per unit
   (c) Both of these

2. The Standard which can be attained under the most favourable conditions possible________
   (a) Ideal Standard
   (b) Expected Standard
   (c) Current Standard
   (d) Normal Standard

3. Which one of the following items would not be included in a cash budget?
   (a) Capital repayments on loans
   (b) Depreciation Charges
   (c) Dividend payments
   (d) Proceeds of sale of fixed assets

4. Sales budget shows________
   (a) Estimate of future sales
   (b) Estimate of future production
   (c) Estimate of inventory
   (d) None of the above

5. The object of hotel costing is to find out cost ________
   (a) Per table
   (b) Per room
   (c) Per bed
   (d) Per visitor

6. Garage rent is________
   (a) Semi variable
   (b) Variable cost
   (c) Fixed cost
   (d) None of these

7. When sales increases then break even point______
   (a) Increases
   (b) Remains constant
   (c) Decreases
   (d) None of these

8. Overhauling is classified as______
   (a) Fixed cost
   (b) Semi fixed cost
   (c) Maintenance cost
   (d) Marginal cost

(B)Match the following by <u>rewriting</u> the columns A & B by matching on an overall most appropriate basis: **[07 Marks]**

A	B
1.Contribution	a. Controllable Cost
2.Key Factor	b. Drawn for one level
3. Fixed Budget	c. Sales –Variable Cost
4.Flexible Budget	d. Margin of Safety in Value x P/V Ratio
5.Goods transport	e. Limiting Factor
6.Cost which cannot be influenced by the concerned cost centre	f. Drawn for multiple levels
7.Profit	g. Per Ton –K.M

OR

4. Write Short Notes on any Three: **[15 Marks]**
1. Significance of Contribution
2. Labour Variance
3. Sales Budget
4. Operating Costing of Hospital
5. Limitations of Budgetary Control

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