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Program: ***PGDM-COMM (Batch2017-19), Trim-I***
Subject: Cost and Management Accounting
(Supplementary Examination)

Maximum Marks: 50
Duration: 3 hours

Date: 21st September, 2017

Instructions

Q1 is compulsory, carrying 10 marks. Attempt any 4 questions from the remaining, each carrying 10 marks.

QUESTION 1

M/s Nitin Stationers manufactures plastic files for office use. The details of its cost and sales is as follows:

Variable Cost per file	Rs 45
Fixed Cost	Rs 60,000 per year
Production capacity	3,000 files per year
Selling price	Rs 110 per file

You are required to compute the following:

(i) Break Even Point

(ii) Number of files to be sold to earn a net profit of Rs 36,000

QUESTION 2

Shyam Bazar Blind Opera

As the name suggests, Shyam Bazar Blind Opera is an entertainment performance group started & based in Kolkata. We share below the available numbers of the organization.

Shyam Bazar Blind Opera Balance Sheet31st March, 2016 AND 2015 (all figures in 000's of Indian Rupees)		
ASSETS	**2016**	**2015**
CURRENT ASSETS	??	??
Cash	??	492,511

Investments	144,616	144,113
Accounts receivable	9,121	2,400
Grants receivable	41,759	54,167
Prepaid expenses	1,874	8,743
FIXED ASSETS		
Equipment	33,794	38,363
Production sets, costumes	53,000	53,000
Leasehold improvements	15,082	15,082
Less: Accumulated depreciation	(95,578)	??
Fixed Assets, net	6,298	6,325
OTHER ASSETS		
Security deposit	23,020	22,260
TOTAL ASSETS	**680,416**	**730,519**

LIABILITIES AND NET WORTH

CURRENT LIABILITIES	??	??
Accounts Payable	662	5,012
Advance from Customers	5,222	31,600
Bills payable	??	20,000
LONG TERM LIABILITIES		
Total liabilities	30,884	56,612
OWNERS EQUITY		
Revenue Reserves	548,667	491,840
Capital Reserves	??	??
Equity Capital	50,000	50,000
TOTAL OWNERS EQUITY	649,532	673,907
TOTAL LIABILITIES AND SHAREHOLDERS FUNDS	??	??

REQUIRED

a) Identify the missing items in the above Balance Sheet.

b) Identify the important points from the Balance Sheet of Shyam Bazar Blind Opera Group. Give reasoning for the same

QUESTION 3

A factory engaged in manufacturing plastic buckets is working at 40% capacity and produces 10,000 buckets per month. The present cost breakup for one bucket is as under:

Materials	Rs.20
Labour	Rs. 16

Overheads	Rs20(60% fixed)

The selling price is Rs. 110 per bucket. If it is decided to work at 50% capacity, the selling price falls by 5%. At 90% capacity, the selling price falls by 10% accompanied by a similar (10 %) fall in the price of materials. Prepare a statement showing the profits at 40%, 50% and 90% capacities and also determine the break even points at each of these production levels.

QUESTION 4

A) Surly Company makes small boats.The company produces and sells (4 marks)
5,500boats per year at a selling price of $160 per boat. Surly Company has excess capacity and is trying to get special orders. A new retailer wants to purchase 1,000 boats for $125 per boat. Surly Company is thinking to decline the special order because it costs $130 to make a single boat as seen below:

Direct materials	$50 per unit
Direct manufacturing labor	$55 per unit
Variable manufacturing overhead	$10 per unit
Fixed manufacturing overhead	$15 per unit
Total	$130 per unit

Required:
i) Should Surly Company reject the special order from the new retailer? Why?
ii) How much will Surly's net income increase with the special offer?

B) A Company manufactures 2 products A and B which are popular in the (6 m)

market. The management has the option to alter the sales-mix of the 2 products from any of the following combinations:

Option	**A**	**B**
I	900	500
II	1,500	--
III	--	1,500
IV	1,000	600

The per unit production cost/sales data are:

A	**B**	
Direct material (Rs)	25	30
Direct Labour (hours)	10	12

Variable factory overhead is 75% of direct labour cost for both products. Selling Price is Rs. 75 for A and Rs. 90 for B. Labour rate is Rs. 2 per hour. Common fixed overhead for both products is Rs. 10,000. You are required to prepare a marginal cost statement for the two products and evaluate the options to identify the most profitable sales-mix. .

QUESTION 5

Prepare a Cash Budget of Fashion Fabrics for the months April, 2017 to July, 2017 from the details given below:

a. Estimated Sales during 2017

Feb	March	April	May	June	July	August
12,00,000	12,00,000	16,00,000	20,00,000	18,00,000	16,00,000	14,00,000

b. On an average, 20% of sales are cash sales

c. Credit sales are realized in the third month(Jan sales in March)

d. Purchases amount to 60% of sales. Payment for purchases is made in the second month after purchases are made.

e. Variable expenses(other than sales commission) constitute 10% of sales and there is a time lag of a month in these payments

f. Fixed expenses per month amount to Rs 75,000

g. Other values anticipated are:

   Receipt from Interest on deposits of Rs 1,60,000 in April

   Payment of tax amounting to Rs 80,000 June

Opening cash balance is Rs 2,50,000

QUESTION 6

A) Explain the concept of Step Cost and Mixed Cost.

B) Discuss the main functions of Management Accounting.

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