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Vidyavihar, Mumbai- 400077

Program: PGDM-FS (Batch2016-18), Trim-II
Subject: Cost and Management Accounting
(End Term Examination)

Maximum Marks: 50
Duration: 3 hours

Date: Dec 29th, 2016

Instructions

- 1. Attempt any 5 questions , 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:

- Break Even Point
- Number of files to be sold to earn a net profit of Rs 36,000

If the firm manufactures and sells 500 files more per year with an additional fixed cost of Rs 2,500, what should be the selling price to earn the same amount of profit per file as in (ii) above

QUESTION 2

Surly Company makes small boats. The company produces and sells 5,500 boats 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 going 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	<u>\$15 per unit</u>

Total \$130 per unit

Required:

- A) Should Surly Company reject the special order from the new retailer? Why?
- B) How much will Surly's net income increase with the special offer?

QUESTION 3

Swadeshi Ltd. started a factory on 1st April,2014. Following details are furnished about its activity during the year ended 31st March, 2016:

Raw materials consumed-40,000 units @ Rs70 per unit

Direct Wages:

- a. Skilled workers @Rs200 pu
- b. Unskilled workers @110pu

Works overheads @ Rs 80 per machine hour

Machine hours worked: 25,000

Office overheads is 1/3rd of Works Cost

Sales commission @ Rs40 pu sold

Units produced is 40,000

Stock at the end of the year: 4,000 units to be valued at cost of production pu

Sale Price is Rs 500 pu

Prepare a Cost Sheet showing Total and per unit cost.

QUESTION 4

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 . Purchases made in a month are generally sold in the third month and payment for purchases is also made in the third month.
- e. Variable expenses(other than sales commission) constitute 10% of sales and there is a time lag of half a month in these payments

- f. Commission on sales is paid at 5% of sales value and payment is made in the third month.
- g. Fixed expenses per month amount to Rs 75,000
- h. Other values anticipated are:
 - Interest on deposits Rs 1,60,000 April
 - Sale of old assets Rs 12,500 May
 - Payment of tax Rs 80,000 June
 - Purchase of fixed assets Rs 6,50,000 July

Opening cash balance Rs 1,50,000

QUESTION 5

- A. Finolex Co. uses a standard cost system and manufactures product Z. Standard cost per 1000kg of output is as under:

Material	Quantity (in kg)	Price(in Rs)
A	800	2.50
B	200	4.00
C	200	1.00

Actual consumption was:

Material A- 1,57,000 kg @ Rs 2.40

Material B- 38,000kg @ Rs 4.20

Material C- 36,000 KG @ Rs 1.10

The company produced 2,00,000 kg of output, in November,2015.

Calculate Material Cost Variance, Material Price Variance and Material Usage Variance.

- B. i). What is meant by cost drivers?
- ii) What are the essential functions of Management accounting?

QUESTION 6

A company manufactures its sole product by passing the raw material through the distinct processes in its factory. During the month of April,2016, the company purchased 96,000 kg of raw material at Rs 5 per kg and introduced the same in Process 1. Further particulars of manufacture for the month are given below:

	Process 1	Process II	Process III
Material consumed	33,472	27,483	47,166
Direct labour	80,000	72,000	56,000
Overheads	1,20,000	1,08,000	84,000
Normal waste as % of input	3%	1%	1%
Sale value of waste(Rs/kg)	2	3	5
Actual output during the month (kg)	93,000	92,200	91,500

Prepare the three Process accounts.

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