Total No. of printed pages = 8

47 (3) CMNA 3.3

2012

# COST AND MANAGEMENT ACCOUNTING

Paper : 3.3

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. Fill in the blanks : 1×5=5

   (a) Cost Accounting is ——— in its approach. (historical / futuristic)

   (b) Standard cost is a ——— cost. (post-determined / predetermined)

   (c) Margin of safety is referred to as excess of actual sales over ———. (variable expenses / break-even sales)

   (d) LIFO method is suitable in times of ——. (rising prices / falling prices)

[Turn over

(e) According to Halsey Premium Plan, fixed overhead cost per unit is ——— with increase in production. (reduced / increased)

2. State whether the following statements are true or false : 1×5=5

(a) Cost Accountant has a narrow approach.

(b) A Bin Card makes a record of the issue of material only.

(c) The principle of "management by exception" can be successfully applied by the concerns which follow technique of standard costing.

(d) Marginal costing is simple to understand and easy to operate.

(e) In job costing, costs are calculated at the end of the cost period.

3. Answer the following (any *five*) : 2×5=10

(a) What is P/V Ratio ?

(b) What is Flexible Budget ?

(c) What is Job Costing ?

(d) State two causes of Labour Turnover.



(e) What is the meaning of Zero Base Budgeting ?

(f) Calculate Prime Cost from the following information :

Materials Rs. 70,000 ; Wages Rs. 40,000, Salary Rs. 15,000 and Expenses on purchase Rs. 2,000.

(g) What is Stores Ledger ?

4. Answer the following (any *five*) : 5×4=20

(a) Distinguish between Financial Accounting and Management Accounting.

(b) Define Production Budget.

(c) The annual demand for a product is 6,400 units. The ordering cost is Rs. 75 per order and the inventory carrying cost is Rs. 1.50 per unit per annum.

Determine EOQ and number of orders per annum.

(d) Distinguish between Budget and Budgetary Control.

(e) State the advantages of the Rowan Premium Plan.

(f) From the following particulars, prepare a Production Budget of a company relating to Product 'X' for the first quarter, 2012.

Sales Target :

January = 60,000 units

February = 48,000 units

March = 72,000 units

Stock Position : 1st January, 2012 = 50% of January 2012 sales.

31st January, 2012 = 24,000 units

29th February, 2012 = 36,000 units

31st March, 2012 = 40,000 units

(g) Calculate the Re-ordering Level, Minimum Level, Maximum Level and Average Stock Level of a material from the following information :

Minimum consumption = 5 units per week

Maximum consumption = 15units per week

Normal consumption = 10 units per week

Re-order quality = 60 units

Re-order period = 3 to 5 weeks.



(h) A company producing a single article, sells it at Rs. 10 each. The marginal cost of production is Rs. 6 each and fixed cost is Rs. 400 per annum. Calculate (a) P/V Ratio and (b) Break Even Sales.

5. Answer the following (any *five*) : 8×5=40

(a) In a factory, product 'X' passes through two processes, 'A' and 'B'. The following information is available in respect of process 'A' and 'B'.

| | Process A Rs. | Process B Rs. |
|---|---|---|
| Material | 30,000 | 3,000 |
| Labour | 10,000 | 12,000 |
| Overhead | 7,000 | 8,600 |
| Input | 20,000 units | 17,500 units |
| Normal loss | 10 % | 4 % |
| Sale of waste | Re.1 per unit | Rs. 2 per unit |

Final output of Process 'B' = 17000 units.

Prepare the process account of 'A' and 'B'.

(b) The expenses for the production of 10,00[illegible] units in a factory are given as follows :

| Particulars | Per unit (Rs.[illegible] |
|---|---|
| Material | 70 |
| Labour | 25 |
| Variable overhead | 20 |
| Fixed overhead (Rs. 100,000) | 10 |
| Variable expenses (Direct) | 5 |
| Selling expenses (10 % Fixed) | 13 |
| Administrative expenses (Fixed – Rs. 50,000) | 5 |
| Distribution expenses (20% fixed) | 7 |
| Total cost of sales per unit | 155 |

Administrative expenses are always fixed at all capacity of production. Prepare a budget for the production of

(i) 8000 units and

(ii) 12000 units.

(c) The following are the transactions of a firm in purchase and issue of materials.

2012

January: 2 Purchased 4000 units @ Rs. 4 per units

4 Purchased 500 units @ Rs. 5 per units

5 Issued 2000 units



2012

January: 10 Purchased 6000 units @ Rs. 6 per unit

12 Issued 4000 units

13 Issued 1000 units

15 Issued 2000 units

22 Purchased 4500 units @ Rs. 5.50 per unit

30 Issued 3000 units

From the above, prepare Store Ledger Account using FIFO method of pricing the issues.

(d) The following particulars are extracted from the books of a contractor.

| | Rs. |
|---|---|
| Material sent to the site | 85,000 |
| Labour payment | 80,000 |
| Plant at cost | 15,000 |
| Direct expenditure | 3,200 |
| Establishment charge | 3,500 |
| Material return to store | 500 |
| Work certified | 1,95,000 |
| Cost of work not certified | 4,500 |
| Material in hand at the end of the year | 2,000 |
| Value of plant at the end of the year | 11,000 |
| Contract price | 2,50,000 |
| Cash received from contractee | 1,80,000 |

You are required to prepare Contract Account.

[Turn over

(e) Standard Mix for production 'X'

A : 60 tons @ Rs. 5 per ton

B : 40 tons @ Rs. 10 per ton

Actual mixture being

A : 80 tons @ Rs. 4 per ton

B : 70 tons @ Rs. 8 per ton

Calculate :

(a) Material Cost Variance

(b) Material Price Variance

(c) Material Usage Variance

(d) Material Mix Variance.

(f) What is Flexible Budget ? What are the objectives of Budgetary Control ? State the advantages of Budgetary Control.

(g) What is Job Costing ? What is Process Costing ? Distinguish between Job Costing and Process Costing.

(h) What is break-even analysis ? Discuss the assumptions and limitations of this technique.

(i) Write short notes on any *two* :

(i) ABC Analysis

(ii) Marginal Costing

(iii) Cost Sheet.