ANURAG GROUP OF INSTITUTIONS

(Formerly CVSR College of Engineering)

School of Business Management

Teaching plan III semester (2015-17 batch)

COST AND MANAGEMENT ACCOUNTING

Dr. G. Sabitha

The objective of the course is to enable the students the components of product cost their calculation methods, and their control. Prerequisite for the course is Knowledge of Financial Accounting and Analysis taught in First Semester of the Programme.

S. No.	Topic	No. of Classes
	Unit 1: Introduction	
	Management accounting Vs. Cost accounting	1
	Cost accounting vs. Financial Accounting	1
	role of accounting information in planning and control	1
	Cost concepts	1
	Managerial use of classification of costs	
	The management process and accounting	1
	Cost Analysis and control	
	Direct and Indirect expenses	1
	Allocation and Apportionment of Overheads	2
	Calculation of machine hour rate	3
	An Introduction to activity based costing	1
	An Introduction to Life Cycle Costing	1
	Total	**13**
	Unit 2: Costing for specific industries	
	Unit costing	1
	Job Costing	1
	Cost sheet and	2
	Tender Costing and their variants	1
	Process costing and their variants	1
	Treatment of Normal losses and abnormal losses	2
	Inter-process profits	2
	Costing for by-products and equivalent production	2
	Total	**12**
	Unit 3: Marginal Costing	
	Introduction, Application of Marginal costing in terms of Cost control	1

	Profit planning	1
	Closing down a plant	
	Dropping a product line	2
	Charging General and specific fixed costs	1
	Fixation of selling price	
	Make or buy decisions	2
	Key or Limiting factor	
	Selection of suitable product mix	1
	Desired level of profits	1
	Diversification of products	
	Closing down or suspending activities	1
	Level of activity planning	1
	Breakeven-analysis	
	Application of BEP for various business problems	2
	Inter-firm comparison	1
	Need for Inter-firm Comparison	1
	types of comparisons	
	advantages	1
	Total	**16**
	Unit 4: Budgetary Control	
	Budget and Budgetary control	1
	Steps in Budgetary control	1
	Flexible budget	1
	Different types of budgets	
	Sales budget	1
	Cash budget	1
	Production Budget	1
	Master budget	1
	Performance budgets	1
	Material vs. Purchase Budgets	1
	Zero Based Budgeting	1
	An Introduction to Cost Audit and Management Audit.	1
	Total	**11**
	Unit 5: Standard Costing	
	Standard Cost and Standard costing	1
	Standard costing vs. Budgetary control	
	Standard Costing vs. Estimated cost	1
	Standard costing and Marginal Costing	1
	Analysis of variance	2
	Material variance	2
	Labor variance	2
	Sales and Profit Variance	2
	Total	**11**
	Total Classes Required	**63**

References

- S. P. Jain and K. L. Narang, Cost Accounting Principles and Practice, Kalyani.
- Atkinson, Kaplan & Young, Management Accounting, 4th Edn, Pearson, Prentice Hall.
- Horngren, Sundem and Stratton, Introduction to Management Accounting, 3rd Edn, Printice-hall.
- Prof. Jawahar Lal, Advanced Management Accounting, S Chand.

UNIT 1: INTRODUCTION

Short Questions:

1. Management Accounting
2. Characteristics of Management Accounting
3. Nature and Scope of Management Accounting
4. Objectives of Management Accounting
5. Functions of Management Accounting
6. Advantages of Management Accounting
7. Disadvantages of Management Accounting
8. Tools and Techniques of Management Accounting
9. Cost and its components
10. Cost Unit and Cost centre
11. Cost accountancy and Cost Accounting
12. Costing and Need for Cost Accounting
13. Objectives of Cost Accounting
14. Scope of Cost Accounting
15. Importance of Cost Accounting
16. Disadvantages of Cost Accounting
17. Advantages of Cost Accounting
18. Techniques of Costing
19. Cost Estimation and Cost Ascertainment
20. Machine Hour Rate
21. Advantages of Machine Hour Rate
22. Activity Based Costing
23. Uses of ABC
24. Limitations of ABC
25. Life Cycle Costing

Essay Questions:

1. Differences between Management Accounting and Financial Accounting
2. Differences between Management Accounting and Cost accounting
3. Characteristics of Cost and Elements of Cost
4. Classification of Cost
5. Methods of Costing
6. Cost allocation and Cost apportionment

7. Cost Reduction and Cost Control
8. " A good system of costing must place the same emphasis on cost control as on cost ascertainment" Comment.
9. "Cost Accounting has become an indispensable tool to management" Discuss this statement by stating the importance of Cost Accounting.
10. Problems of Allocation and Apportionment of Overheads
11. Problems on Machine Hour Rate
12. Problems on ABC
13. Problems on Life Cycle Costing

UNIT 2: COSTING FOR SPECIFIC INDUSTRIES

Short Questions:

1. Cost Accumulation Method
2. Unit Costing
3. Overhead Assignment Methods
4. Job Costing
5. Process Costing
6. Features of Process Costing
7. Advantages of process costing
8. Disadvantages of Process Costing
9. Cost Sheet
10. Importance of Cost sheet
11. Components of Total Cost
12. Tender
13. Operation Costing and Operating Costing
14. Normal Loss and Abnormal Loss
15. Abnormal Gain and Abnormal Loss
16. Inter Process profits
17. By product and Joint Product Costing
18. Equivalent Production

Essay Questions:

1. Cost measurement Methods
2. Variants of Process Costing
3. Methods of costing By products
4. Problems on Cost Sheet
5. Problems on Tenders
6. Problems on Process Costing
7. Problems on Normal Loss, Abnormal Loss or Gains
8. Problems on Process Accounts
9. Problems on Inter process Profit
10. Problems on equivalent Production

UNIT 3: MARGINAL COSTING

Short Questions:

1. Marginal Cost
2. Features of Marginal Costing
3. Principles of marginal Costing
4. Advantages and Disadvantages of Marginal Costing
5. Absorption Costing
6. Fixation of Selling Price
7. Make or Buy Decisions
8. Dropping a product line
9. Operate or Shut down Decision
10. Diversification of products
11. Closing down or suspending activities
12. Break Even analysis
13. BEP

Essay Questions:

1. Cost measurement Methods
2. Importance and Applications of Marginal Costing
3. Differences between Marginal Costing and Absorption Costing
4. Applications of Marginal Costing
5. Selecting a production with key factor or limiting factor
6. Selection of a suitable product mix
7. CVP analysis
8. Relationship between fixed costs, variable costs and returns
9. Problem on Break even analysis
10. Inter firm comparison
11. Problem on BEP and margin of safety
12. Problems on Absorption costing

UNIT 4: BUDGETARY CONTROL

Short Questions:

1. Budget and Budgeting
2. Characteristics of Budget
3. Cash budget and its importance
4. Sales budget
5. Zero based budgeting

Essay Questions:

1. Purpose, scope, advantages and essential contents of Budget
2. Objectives, Advantages, process of Budgetary control

3. Installing budgetary control system
4. Budget organization and administration
5. Classification of Budgets
6. Master budget and its advantages and preparation
7. Cost audit and Management Audit
8. Problems on flexible budget
9. Problem on sales budget
10. Problem on cash budget
11. Problem on production budget

UNIT 5: STANDARD COSTING

Short Questions:

1. Standard Costing
2. Analysis of variance
3. Direct material variance
4. Material cost variance
5. Material Price Variance
6. Material Mix variance
7. Labour Rate Variance
8. Labour Idle Time Variance
9. Labour Efficiency Variance
10. Variable overhead expenditure variance
11. Fixed overhead volume variance
12. Fixed overhead calendar variance
13. Variable overhead efficiency variance
14. Sales margin variance
15. Sales price variance
16. Sales volume variance

Essay Questions

1. Standard costing Vs estimated costing
2. Objectives, Merits and Demerits of standard costing
3. Types of standards
4. Elements which influence the setting of standards
5. Similarities between standard costing and budgeting
6. Analysis of variance, its objectives, advantages, disadvantages
7. Classification of variance
8. Controllable and uncontrollable variances
9. Problems on Material cost variance
10. Problems on material price variance
11. Problems on direct material variance
12. Problems on Material usage variance

13. Problems on Direct labour variances
14. Problems on Overhead cost variances
15. Problems on Sales variances

CASES

1. Financial information for continuous improvement:

The manager of a large semiconductor production department expressed his disdain for the cost information he was presently given:

Cost variances are useless to me. I don't want to ever have to look at a cost variance, monthly or weekly. Daily, I look at sales dollars, bookings, and on-time delivery- the percent of orders on time. Weekly, I look at a variety of quality reports, including the outgoing quality control reports on items passing the final test before shipment to the customer, in-process quality and yields.

Yield is a good surrogate for cost and quality. Monthly, I do look at the financial reports. I look closely at my fixed expenses and compare these to the budgets, especially on discretionary items like travel and maintenance. I also watch headcount.

But the financial systems still don't tell me where I am wasting money. I expect that if I make operating improvements, costs should go down, but I don't worry about the linkage too much. The organizational dynamics make it difficult to link cause and effect precisely.

Required:

Comment on this production manager's assessment of his limited use for financial and cost summaries of performance. For what purposes, if any, are cost and financial information helpful to operating people? How should the management accountant determine the appropriate blend between financial and nonfinancial information for operating people?

2. A computer information service is a computer software consulting company. Its three major functional areas are computer programming, information systems consulting and software training. Carol Birch, a pricing analyst in the accounting department, has been asked to develop total costs for the functional areas. These costs will be used as a guide in pricing a new contract. In computing these costs, Birch is considering three different methods of allocating overheads costs- the direct method, the step method and the reciprocal method. Berich assembled the following data on overhead from its two service departments, the information system department and the facilities department.

	Service Department		**Production Department**			
	Information Systems	Facilities	Computer Programming	Consulting	Training	Total
Budget Overhead (Rs.)	50000	25000	75000	110000	85000	345000
Information Systems * (hours)		300	1200	600	900	3000
Facilities *	200		400	600	800	2000

(thousand Square feet)						

* Allocated on the basis of hours of computer usage.

** Allocated on the basis of floor space.

Required:

1. Using computer usage time as the application base for the information systems department and square feet of floor space for the facilities department, apply overhead from these service departments to the production departments, using the following two methods:
   a. Direct method b. Step Method
2. A. Define the reciprocal method of allocating the costs of service departments.
   B. Would the reciprocal method be appropriate for computer information services?
3. Rather than allocating costs, how might computer information services better assign the information systems department's costs?

3. The Dean, Faculty of Management studies at the university was considering whether to offer one month executive development programs for corporate executives. The tuition was Rs 65000 per person. Variable costs, which included meals, materials and lodging were Rs. 8000 per person. Certain costs of offering the programmes, including advertising the programmes, faculty member's fee, audiovisual equipment rent would not be affected by the number of people attending (within a relevant range). Such costs, which could be thought of as step costs, amounted to Rs. 8,00,000 for the programmes.
   In addition to these costs, a number of staff including Dean of Management studies, worked on the programmes. Although the salaries paid to these staff were not affected by organizing the programme, working on the programme took these people away from other duties, thus creating an opportunity cost, estimated to be Rs. 7,00,000 for this programme.
   Using this information, the dean calculated the break even point to be (800000+700000)/(65000-8000)=26.3 students. If the dean of the faculty wanted to at least break even on this programme, it should offer the programme only if it expected at least 27 students to attend.

Required:

Present a report to the dean that evaluates the quality of this analysis. Your report should focus on concerns about the accuracy of data and limitations of cost-volume-profit analysis.

4. A bank manager of SBI, Delhi uses the managerial accounting system to track the costs of operating the various departments within the bank. The departments include Cash Management, Commercial Loans, Operations, Credit card and Branch Services. The budget and actual results of the Operations Department are as follows for December 2016.

Resources	**Budget**	**Actual**
Salaries	200000	200000
Benefits	30000	30000
Supplies	45000	42000
Travel	20000	30000
Training	25000	35000

Overtime	25000	20000
Total	**345000**	**357000**

Required:

1. What information is provided by the budget? Specifically, what questions can the bank manager ask of the Operations Department Manager?
2. What information does the budget fail to provide? Specifically, could the budget information be presented differently to provide even more insight for the bank manager?

5. As a part of its cost control program, Tata Motors Company uses a standard costing system for all manufactured items. The standard cost for each item is established at the beginning of the fiscal year and the standards are not revised until the beginning of the next fiscal year. Changes in costs, caused during the year by changes in material or labor inputs or by changes in the manufacturing process, are recognized as they occur by the inclusion of planned variances in Tata's monthly operating budgets.

Following is the labor standard that was established for one of Tata's products effective April 1, 20016, the beginning of the fiscal year:

Assembler A labor (5 hrs @ Rs.100)	Rs. 500
Assembler B labor (3 hrs @ Rs 110)	330
Machinist labor (2 hrs @ Rs 150)	300
Standard cost per 100 units	1,130

The standard was based on the labor being performed by a team consisting of five persons with assembler A skills, three persons with assembler B skills, and two persons with machinist skills, this team represents the most efficient use of the company's skilled employees. The standard also assumed that the quality of materials that had been used in prior years would be available for the coming year.

For the first seven months of the fiscal year, actual manufacturing costs at Tata have been within the standards established. However, the company has received a significant increase in orders, and there is an insufficient number of skilled workers to meet the increased production. Therefore, beginning in April, the production teams will consist of eight persons with assembler A skills, one person with assembler B skills, and one person with machinist skills. The recognized teams will work more slowly than the normal teams, as a result; only 80 units will be produced in the same time period in which 100 units would normally be produced. Faulty work has never been a cause for units to be rejected in the final inspection process, and it is not expected to be a cause for rejection with the reorganized teams.

Furthermore, Tata has been notified by its material supplier that lower-quality materials will be supplied beginning April 1. Normally, one unit of materials is required for each good unit produced, and no units are lost due to defective material. Tata estimates that 10 percent of the units manufactured after April 1 will be rejected in the final inspection process due to defective material.

Required:

1. Determine the number of units of lower-quality material that Tata company must enter into production in order to produce 54000 good finished units.
2. How many hours of each class of labour must be used to manufacture 54,000 good finished units?
3. Determine the amount that should be included in Tata's April operating budget for the planned labor variance caused by the reorganization of the labor teams and the lower quality material.

Subject Code: R12E21MB02

ANURAG GROUP OF INSTITUTIONS

(Autonomous)

School of Business Management

II-M.B.A-I-Semester End Examinations, Feb - 2015

Subject: COST & MANAGEMENT ACCOUNTING

Time: 3 Hours **Max.Marks:60**

Section – A (Short Answer type questions) (10X2=20 Marks)

Answer all questions, each question carry equal marks.

1. Objectives of Cost Accounting
2. Distinguish between Direct and Indirect Cost
3. Job Costing
4. Equivalent Production
5. Margin of Safety
6. Calculate: a).P/v Ratio b).Break Even Point c).Margin of Safety
   Sales Rs.4000; Variable Cost Rs.2000; Fixed Cost Rs.1600
7. Define Budget
8. Zero Based Budgeting
9. Define Standard Costing

10. Material Variances

Section – B (Essay Type questions) (5X8=40 Marks)

Answer all the questions

11. A) What is Cost Accounting? Discuss the advantages and limitations of Cost Accounting.

Or

B) The following particulars refer to a process used in the treatment of material subsequently incorporated in a component forming part of an electrical appliance:

(i). The original cost of the machine used (purchased in June 2014) was Rs.10,000. Its estimated life is 10 years. Its estimated scrap value at the end of its life is Rs.1,000, and the estimated working time per year (50 weeks of 44hours) is 2,200 hours of which machine maintenance etc., is estimated to take up 200 hours.
Setting up time estimated at 5% of total productive time which can be treated as unproductive time.

(ii). Electricity used by the machine during production is 16 units per hour at a cost of 90 paise per unit. No power is used during maintenance or setting up.

(iii). The machine requires chemical solution which is replaced at the end of each week at a cost of Rs.20 each time.

(iV). The estimated cost of maintenance per year is Rs.1200.

P.T.O

(v). Two attendants control the operation of the machine together with five other identical machines. Their combined weekly wages, insurance and the employer's contributions to holiday pay amount to Rs.120.

(vi). Departmental and general works overheads allocated to this machine for the year 2014-15 amount to Rs.2,000.

You are required to calculate the machine hour rate necessary to provide for recoupment of the cost of operating the machine.

12. A) What is Cost Sheet? What are its advantages? Prepare a specimen Cost Sheet.

Or

B) The following figures have been obtained from the cost records of Rio manufacturing company for the year 2014.

	Rs.		Rs.
Cost of materials	2,40,000	Administrative expenses	1,34,400
Wages of labour	2,00,000	Selling expenses	89,600
Factory overheads	1,20,000	Profit	1,68,000
Distribution expenses	56,000		

A work order was to be executed in 2015 and the expenses incurred towards cost of Materials Rs.32,000 and wages for Labour Rs.20,000.

Assuming that in 2015 the rate for factory overheads went up by 20%, distribution charges went down by 10% and selling and Administration charges went up by 12 ½%. At what price should product of the company be quoted so as to earn the same (earlier rate) rate of profit on cost?. Show the full working. Distribution, Administration and selling charges are based on factory cost.

13. A) "Marginal Costing is a very useful technique to management for cost control, profit planning and decision making" Explain.

Or

B) A Radio manufacturing company finds that while it costs Rs.6.25 each to make a component X273Q, the same is available in market at Rs.5.75 each, with an assurance of continued supply. The break down of cost is:

Materials	Rs.2.75 each
Labour	Rs.1.75 each
Other variables	Rs.0.50 each
Depreciation and other fixed costs	Rs.1.25 each
Total:	Rs.6.25 each

i. Should you make or buy?
ii. What would be your decision if the supplier offered the component at Rs.4.85 Each

14. A) What is Budgetary Control? State the main objectives of Budgetary control. What are the main steps in Budgetary control?

Or

B) The expenses budgeted for production of 10,000 units in a factory are furnished below:

	Per unit Rs.
Materials	70
Labour	25
Variable Factory Overheads	20
Fixed Factory Overheads (Rs.1,00,000)	10
Variable Expenses (Direct)	5
Selling Expenses (10% fixed)	13
Distribution Expenses (20% fixed)	7
Administrative Expenses (Rs.50,000)	5
Total Cost of Sales per unit	155

You are required to prepare a budget for the production of 8,000 units.

15. A) What is Standard Costing? What are the advantages and limitations of Standard Costing?

Or

B) Modern Toys Limited had budgeted the following sales for Dcember, 2014:

Toy A 900 units @ Rs.50 per unit
Toy B 650 units @ Rs.100 per unit
Toy C 1200 units @ Rs.75 per unit.

As against this, the actual sales were:
Toy A 1000 units @ Rs.55 per unit
Toy B 700 units @ Rs.95 per unit
Toy C 1100 units @ Rs.78 per unit

The cost per unit of A, B and C was Rs.45, Rs.85 and Rs.65 respectively.
Calculate the different Sales Variances.

Subject Code: R12E21MB02

ANURAG GROUP OF INSTITUTIONS

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School of Business Management

II-M.B.A-I-Semester End Examinations, AUGUST - 2015

Subject: Cost & Management Accounting

Time: 3 Hours **Max.Marks:60**

Section – A (Short Answer type questions) (10X2=20 Marks)

Answer all questions, each question carry equal marks.

6. Define Cost Accounting.
7. Life Cycle Costing
8. Cost sheet
9. Define Job Costing
10. What is break even analysis
11. Sales : .100000 Profit: .10000 Variable cost:70% Find out P/V ratio
12. Flexible budget
13. Zero based budgeting
14. Standard cost
15. Profit Variance

Section – B (Essay Type Questions)

Answer all the questions. **5x8=40 marks**

11. A) Distinguish between Cost Accounting, Management Accounting.

OR

B) A Television manufacturing company finds that in1980; the cost to manufacture 200 televisions sets was 6, 16, 000 which it sold at 4,000 each. Costs were made up of materials 2, 00, 000, direct wages 3, 00, 000 factory overheads expenses were 60 000 office expenses 56,000. For 1981 season it estimate

i) That each television will require materials to the value of 1 000 and wages of 1500.

ii) That the factory overheads will bear the same relation to direct wages as in the previous year.

iii) The percentage of office over head expenses on factory cost be the same as in the previous year.

Prepare a statement showing the profit it should make per unit if it enhances the price of the television by 8.

12. A) The product of a manufacturing concern passes through two process A and B and then to finished stock. It is ascertained that in each process 5% of total weight loss and 10% scrap which from process A &B realizes Rs80 per ton and 200 Rs per ton respectively.

	Process A	Process B
Materials (tons)	1000	70
Cost of materials (Rs Per ton)	125	200
Wages	28000	10000
Manufacturing Expenses	8000	5250
Output (Tons)	830	780

Prepare the process cost account showing cost per ton of each process. There was no stock or work in process in any process.

OR

B) Explain the format of cost Sheet

13. A) Explain briefly the applications of marginal costing?

OR

B) The following particulars available for two periods:

Particulars	Period-I (in)	Period-II (in)
Sales	2, 00,000	3, 00,000
Profit	60,000	80,000

Calculate: (i) PV Ratio

(ii) Break even point

(iii) Sales required to earn a profit of 1, 00, 000

(iv) Profit when sales are .5, 00,000

14. A) What is budgetary control? State the main objectives of budgetary control? What are the main steps in budgetary control?

OR

B) A company is expecting to have . 30,000 cash in hand on 1st March 2015 And it requires you to prepare cash budget for three months. March to May 2015. The following information supplied to you.

Months	Sales ( )	Purchases ( )	Wages ( )	Expenses ( )
Jan	60,000	40,000	8,000	6,000
Feb	70,000	30,000	8,000	7,000
Mar	80,000	40,000	9,000	8,000
Apr	90,000	50,000	8,000	7,000
May	1, 00,000	45,000	10,000	9,000

Other information:

1. Credit allowed by suppliers is 2 months.
2. 50% of sales are for cash sales and credit allowed to customers.
3. Delay payments of wages and expenses 1 month.
   Income tax Rs 30,000 is to be paid in month of May, 2015

15. A) How do you interpret Sales Variance? Illustrate

OR

B) From the following information, compute different direct material variance

Material	Standards			Actual		
	Qty Kgs	Unit price	Total	Qty Kgs	Unit price	Total
A	10	2	20	5	3	15
B	20	3	60	10	6	60
C	20	6	120	15	5	75
Total	**50**	**4**	**200**	**30**	**5**	**150**

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Subject Code: R12E21MB02

ANURAG GROUP OF INSTITUTIONS

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School of Business Management
II-M.B.A-I-Semester End Examinations, March - 2014
Subject: Cost and Management Accounting

Time: 3 Hours **Max.Marks:60**

Section – A (Short Answer type questions) **(**10 2 20 Marks**)**

Answer all questions

1. Define Management Accounting
2. Activity Based Costing
3. Fixed and Flexible Overheads
4. Zero based Budgeting
5. Joint products and By-products
6. Standard Costing
7. PV Ratio
8. Key Factor
9. Master Budget
10. Management Audit

Section – B (Essay type questions) (8 x 5= 40marks)

Answer all questions, each question carry equal marks

11. a) List the different ways in which costs can be classified along with the managerial use of the classification.

OR

b) A product passes through three processes A,B and C. The wastage of each process is as follows: Process A - 3 %, Process B - 5 % and Process C - 8 %. Wastage of Process A was sold at 25 p. per unit, that of Process B at 50 p. per unit and that of Process C at Re. 1 per unit. 10,000 units were issued to process A in the beginning of October 1997 at a cost of Re. 1 per unit. The other expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	5,000	8,000	6,500
Direct Expenses	1,050	1,188	2,009
Actual output	9,500 units	9,100 units	8,100 units

Prepare the Process Accounts, assuming that there was no opening or closing stocks.

12. a) Explain the format of Cost Sheet.

OR

P.T.O

b) From the data given below, calculate the machine hour rate:

	Per annum *Rs.*
Rent of the department (space occupied by machine is 1/5 of the department)	780
Lighting (number of men in the department-12, two men are engaged on this machine)	288
Insurance	36
Cotton waste, oil, etc.	60
Salary of foreman (one-fourth of the foreman's time is occupied by the machine)	6000

The cost of the machine is Rs. 9,200 and it has an estimated scrap value of Rs. 200. It is ascertained from the past experience (i) that the machine will work for 1,800 hour per annum; (ii) that it will incur expenditure of Rs. 1,125 in respect of repairs and maintenance; (iii) that it consumes 5 units of power per hour at the cost of Re. 1 per unit; and (iv) that the working life of the machine will be 10 years.

13. a) Discuss the uses of CVP Analysis and its significance to management

OR

C) The following figures are extracted from the books of a manufacturing concern for the year 2013:

	Rs.
Direct Material	2,05,000
Direct Labour	75,000
Fixed Overheads	60,000
Variable Overheads	1,00,000
Sales	5,00,000

Calculate

iii. PV Ratio

iv. Break Even point.

v. What will be the effect on BEP of an increase of 10% in

vi. Fixed Expenses.

vii. Variable Expenses.

15. a) What are functional Budgets? How do these budgets act as an instrument of planning and control?

OR

b) Prepare a cash budget for the three month period ending 30th Sept'2013 based on the following information

Cash at the bank 1st July	25,000
Monthly salaries	10,000
Interest payable in Aug'2013	4,000

Estimated	**June**	**July**	**August**	**September**
Cash Sales	1,20,000	1,40,000	1,52,000	1,21,000
Credit Sales	1,00,000	80,000	1,40,000	1,20,000
Purchases	1,60,000	1,70,000	2,40,000	1,80,000
Other Expenses	18,000	20,000	22,000	21,000

Credit sales are collected 40% in the months of sales & 60% is in the following month. 10% of the purchases are in cash & balance is paid in next month.

15.a) What is standard costing? How do you distinguish it from budgetary control?

OR

b) ABC Ltd. sets five hours as labour time standard for processing one unit of product A at a standard direct labour rate of Rs. 5 per hour. During the month of May, the company used 6000 actual direct labour hours at Rs. 4 per hour to process 1000 units of product A.

Calculate

i) Labour cost variance

ii) Labour efficiency variance

iii) Labour rate variance

Model Question Paper:

Subject Code: R12E21MB02

ANURAG GROUP OF INSTITUTIONS

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School of Business Management

II-M.B.A-I-Semester End Examinations

Subject: Cost and Management Accounting

Time: 3 Hours **Max.Marks:60**

Section – A (Short Answer type questions) (5 4 20 Marks)

Answer all questions

1. Define Management Accounting
2. Fixed and Flexible Overheads
3. Joint products and By-products
4. PV Ratio
5. Master Budget

Section – B (Essay type questions) (8 x 5= 40marks)

Answer all questions, each question carry equal marks

12. a) List the different ways in which costs can be classified along with the managerial use of the classification.

OR

b) A product passes through three processes A,B and C. The wastage of each process is as follows: Process A - 3 %, Process B - 5 % and Process C - 8 %. Wastage of Process A was sold at 25 p. per unit, that of Process B at 50 p. per unit and that of Process C at Re. 1 per unit. 10,000 units were issued to process A in the beginning of October 1997 at a cost of Re. 1 per unit. The other expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	5,000	8,000	6,500
Direct Expenses	1,050	1,188	2,009
Actual output	9,500 units	9,100 units	8,100 units

Prepare the Process Accounts, assuming that there was no opening or closing stocks.

12. a) Explain the format of Cost Sheet.

OR

P.T.O

b) From the data given below, calculate the machine hour rate:

	Per annum *Rs.*
Rent of the department (space occupied by machine is 1/5 of the department)	780
Lighting (number of men in the department-12, two men are engaged on this machine)	288
Insurance	36
Cotton waste, oil, etc.	60
Salary of foreman (one-fourth of the foreman's time is occupied by the machine)	6000

The cost of the machine is Rs. 9,200 and it has an estimated scrap value of Rs. 200. It is ascertained from the past experience (i) that the machine will work for 1,800 hour per annum; (ii) that it will incur expenditure of Rs. 1,125 in respect of repairs and maintenance; (iii) that it consumes 5 units of power per hour at the cost of Re. 1 per unit; and (iv) that the working life of the machine will be 10 years.

13. a) Discuss the uses of CVP Analysis and its significance to management

OR

D) The following figures are extracted from the books of a manufacturing concern for the year 2013:

	Rs.
Direct Material	2,05,000
Direct Labour	75,000
Fixed Overheads	60,000
Variable Overheads	1,00,000
Sales	5,00,000

Calculate

viii. PV Ratio

ix. Break Even point.

x. What will be the effect on BEP of an increase of 10% in

xi. Fixed Expenses.

xii. Variable Expenses.

16. a) What are functional Budgets? How do these budgets act as an instrument of planning and control?

OR

c) Prepare a cash budget for the three month period ending 30th Sept'2013 based on the following information

Cash at the bank 1st July	25,000
Monthly salaries	10,000
Interest payable in Aug'2013	4,000

Estimated	**June**	**July**	**August**	**September**
Cash Sales	1,20,000	1,40,000	1,52,000	1,21,000
Credit Sales	1,00,000	80,000	1,40,000	1,20,000
Purchases	1,60,000	1,70,000	2,40,000	1,80,000
Other Expenses	18,000	20,000	22,000	21,000

Credit sales are collected 40% in the months of sales & 60% is in the following month. 10% of the purchases are in cash & balance is paid in next month.

15.a) What is standard costing? How do you distinguish it from budgetary control?

OR

b) ABC Ltd. sets five hours as labour time standard for processing one unit of product A at a standard direct labour rate of Rs. 5 per hour. During the month of May, the company used 6000 actual direct labour hours at Rs. 4 per hour to process 1000 units of product A.

Calculate

iv) Labour cost variance

v) Labour efficiency variance

vi) Labour rate variance