

[A-8]

SARDAR PATEL UNIVERSITY
B.B.A. (ITM) SEMESTER: IV EXAMINATION

2015

Saturday, 25th April
10:30 a.m To 12:30 p.m

UM04CBB102: COST & MANAGEMENT ACCOUNTING

Total Marks: 60

Note: 1. Figure to the right indicate full marks of question.

2. All questions carry equal marks.

3. Working notes are the part of answer.

Q-1 (A) What is Cost Accounting? Explain the difference between Cost Accounting and Financial Accounting. [07]

(B) Explain the advantages of Cost Accounting. [08]

OR

Q-1 The following particulars have been extracted from the books of Shivam Co. Ltd. [15]
 For the year ended 31 March 2015

Stock of materials as on 1 April 2014	47000
Stock of materials as on 31 March 2015	45000
Materials purchased	208000
Drawing office salaries	9600
Counting house salaries	14000
Carriage inwards	8200
Carriage outwards	5100
Donation to relief fund	4300
Sales	487000
Bad debts written off	4700
Repairs of plant, machinery and tools	8600
Rent, rates, taxes and insurance (factory)	3000
Rent, rates, taxes and insurance (office)	1000
Travelling expenses	3700
Travelling salaries and commission	7800
Production wages	145000
Depreciation written off on machinery, plant and tools	9100
Depreciation written off on office furniture	600
Director's fees	6000
Gas and water charges (factory)	1000
Gas and water charges (office)	300
General charges	5000
Manager's salary	18000

Out of 48 working hours in a week, the time devoted by the manager to the factory and office was on an average 30 hours and 18 hours, respectively, throughout the accounting year. Prepare a cost sheet showing different elements of cost.

Q-2

Puskar Ltd. has three production departments A, B, C and two service departments D and E. The following figures are extracted from the records of the company :

[15]

	Rs.
(1) Rent	5,000
(2) General lighting	600
(3) Indirect wages	3,000
(4) Power	1,500
(5) Depreciation of machinery	5,000
(6) Sundries	10,000

The following further details are available :

	Total	A	B	C	D	E
(1) Floor Space (sq.ft)	10,000	2,000	2,500	3,000	2,000	500
(2) Light Point	60	10	15	20	10	5
(3) Direct wages (Rs.)	10,000	3,000	2,000	3,000	1,500	500
(4) H.P. of Machine	150	60	30	50	10	----
(5) Value of Machinery (Rs.)	125,000	30,000	40,000	50,000	2,500	2,500
(6) Working hours	---	6,200	4,000	4,500	---	---

The expenses of D and E are allocated as follows :

	A	B	C	D	E
D	20%	30%	40%	---	10%
E	30%	40%	20%	10%	---

What is the total cost of an article if its raw material cost is Rs. 50, labour cost Rs. 30 and it passes through Departments A, B and C for 4, 5 and 3 hours respectively.

OR

Q-2 (A) A factory has three production departments A, B and C and two service department X and Y. as per the department wise apportionment statement, the

[10]

amount apportioned to each production department is Rs. 4000, Rs. 2000 and Rs. 3000 respectively and amount apportioned to each service department is Rs. 2000 and Rs. 1500 respectively. Each service department has rendered service to other departments as follows (in %):

Service department	Production departments			Service department	
	A	B	C	X	Y
X	40	30	10	--	20
Y	30	20	40	10	--

Apportion on the basis of repetitive method.

(B) Explain the classification of overheads.

[05]

Q-3

The data of Krishna Ltd. Are as under:

[15]

Selling price per unit	Rs. 20
Variable cost per unit	Rs. 10
Total fix cost	Rs. 40000
Sales	Rs. 100000

Calculate from the above information

- 1) P. V. Ratio
- 2) Break-even point in units and Rupees
- 3) Margin of safety when sales is Rs. 120000
- 4) Profit when total sales is Rs.150000
- 5) Calculate the sales if a profit target of Rs. 50000 has been fixed
- 6) Find out Margin of Safety at a profit of Rs. 25000
- 7) Find out required sales units to earn a profit at 25 % on sales.

OR

Q-3 (A) A company manufactures two products "O" and "P". the following details relate to two products:

[10]

	"O"	"P"
Sales price	Rs. 145	Rs. 98
Direct material	Rs. 50	Rs. 40
Direct labour hour (wage rate Rs. 1 per hour)	25 hours	10 hours
Variable overhead	80 % of direct wages	80 % of direct wages

Total fixed overhead Rs. 5000.

If the labour is in short supply, then production of which product is profitable? If the production capacity of factory is 1000 units of "O" and 2000 units of "P" and 40000 labour hours are available, then how much of each product should be

manufactured to get the maximum profit?

(B) Define break-even analysis and explain its utility. [05]

Q-4 From the following data prepare Cash Budget for the period from 1st July to 30th September 2015 when the opening cash balance is expected to be Rs. 50000. [15]

Month	Sales	Purchases	Wages	Factory Expenses	Administrative Expenses	Selling Expenses
May	200000	90000	18000	12000	7000	8000
June	180000	95000	20000	14000	8000	9000
July	210000	94000	19000	10000	7000	8000
August	170000	94000	15000	13000	5000	8500
September	175000	85000	22000	14500	6500	8600

Additional information:

- 1) Machinery to purchase for RS. 60000 in July will be payable on delivery.
 - 2) Credit period: 1) Allowed by supplier 1 month 2) allowed to debtors 2 months.
 - 3) Wages are paid after one week (1/4 week) while factory, administrative and selling expenses are paid after one month in with they are incurred.
 - 4) A sales commission of 2 ½ % on sales is paid two month after sales.
 - 5) Machinery to be purchased in August for Rs. 180000 is payable in equal installment in September and October.
 - 6) Rent of Rs. 2000 payable in advance every month.
- Income tax payable Rs. 15000 in the month of August.

OR

Q-4 Following is the information available from the Gujarat Ltd. for two levels of activity [15]

Particulars	60% (Rs.)	100% (Rs.)
Direct materials	12,000	20,000
Direct wages	9,000	15,000
Indirect wages	6,000	10,000
Repairs and maintenance	6,500	9,500
Power and Fuel	3,750	5,750
Rent	15,000	15,000
Depreciation	12,000	12,000
Insurance Premium	7,500	7,500
Advertisement overheads	10,000	14,000
Selling Overheads	6,000	8,000

Total production at 100% capacity is 5000 units. You are required to prepare Flexible Budget at 70% and 90% Capacity. Showing cost per unit and total cost.

All the Best