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**SARDAR PATEL UNIVERSITY  
BBA (ITM) SEM: IV EXAMINATION**

**2016**

**MONDAY, 18<sup>th</sup> APRIL**

**10.30 A.M. to 12.30 P.M.**

**UM04CBB102: COST & MANAGEMENT ACCOUNTING**

**Total Marks: 60**

**Note:** Figures to the right indicate marks of question.  
All working notes are part of the answers.

**Q:1** The following data have been extracted from the books of Navdurga Ltd. for the year ended on 31<sup>st</sup> March 2016. **[15]**

Units produced during the year: 1200 units

Units sold during the year: 1000 units

Particulars	Rs.
Direct material	3,60,000
Direct wages	2,40,000
Other direct expenses	1,20,000
Provision for bad debt	10,000
Factory rent and salaries	12,000
Depreciation on plant	18,000
Gas and water	6,000
Factory supervision	24,000
Electricity bill (60% for factory and rest for office)	30,000
Telephone bill (30% for factory, 50% for office and remaining for selling and distribution department)	48,000
Director's fee	18,000
Office stationery	3,000
Legal charges	4,200
Advertisement expenses	3,400
Carriage outward	1,000
Bad debt	300
Salary of salesman	6,900

The company wants to earn 20% profit on cost. Prepare cost sheet showing cost per unit, profit and sales.

**OR**

**Q:1[A]** What is costing accounting? Discuss objectives of cost accounting. **[08]**

**[B]** Distinguish between cost accounting and financial accounting. **[07]**

**Q:2[A]** The following particulars are relates to Amba Ltd. which has three production depts. P, Q and R and two service depts. X and Y. **[08]**

Production departments

P Rs. 6,50,000

Q Rs. 6,00,000

R Rs. 5,00,000

Service departments

X Rs. 1,20,000

Y Rs. 1,00,000

The company had decided to apportion the service department costs on the following percentages:

	P	Q	R	X	Y
X	30%	40%	15%	-	15%
Y	40%	30%	25%	5%	-

Show how the expenses of two service departments are to be charged to the production dept. under repeated distribution method.

- [B] Define overhead. Explain with illustration the classification of overheads according to behaviour. [07]

OR

- Q:2 Mahakali Ltd. has three production department XYZ and two service department A and B. The following figures for a certain period have been made available. [15]

Particulars	Rs.
Rent and taxes	10,000
Lighting & Electricity	1200
Indirect wages	3000
Power	3000
Depreciation on machinery	20,000
Other Expenses & Sundries	20,000

Following further details are also available:

Items	Total	X	Y	Z	A	B
Floor area (sq.ft.)	10,000	2,000	2,500	3,000	2,000	500
No. of light points	120	20	30	40	20	10
Direct wages	20,000	6,000	4,000	6,000	3,000	1,000
HP of machines	300	120	60	100	20	-
Value of machinery	1,00,000	24,000	32,000	40,000	2,000	2,000

The expenses of service dept. A and B are to be apportioned as follows:

	X	Y	Z	A	B
A	20%	30%	40%	-	10%
B	40%	20%	30%	10%	-

Distribute overheads to various departments and redistributes overheads of service departments using repeated distribution method.

**Q:3[A]** Khushi Ltd. provides following information:

[10]

Particulars	A (Per unit)	B (Per unit)
Selling price	500	800
Direct material (Rs.75 per kg)	150	300
Direct labour (Rs.5 per hour)	100	180
Variable overheads	50	80
Fixed Overheads	Rs. 3,80,000	

(1) Which product you recommend when;

- When material is in short supply
- When labour is in short supply

(2) Assume raw material as the key factor and availability of which is only 16000 kg. and maximum sales potential of each product being 4000 units find out optimum product mix which will yield maximum profit. Also calculate net profit.

**[B]** Draw a break even chart and explain its utility in brief.

[05]

**OR**

**Q:3[A]** In 2015 the position Happy Ltd was as follows :

[09]

Sales	1,20,000
Less: Variable expenses	<u>96,000</u>
Contribution	24,000
Less: Fixed expenses	<u>16,000</u>
Net profit	<u>8,000</u>

Find out:

- P/V Ratio
- Break-even sales
- Margin of safety
- Profit for the sales of Rs.1,80,000
- Desired sales for net profit of Rs.16,000

**[B]** Sarshwati Ltd. furnishes the following data relating to year 2015:

[06]

Particulars	First 6 months	Last 6 months
Sales	5, 40,000	6, 00,000
Total Costs	4, 80,000	5, 16,000

Assuming that there is no change in selling price and variable costs and that the fixed expenses are incurred uniformly in two half period, calculate the following for the year 2015.

- Profit Volume Ratio
- Break- even Sales
- Margin of Safety

**Q:4** From the following information of Siyona Ltd. prepare cash budget for the three months from April to June, 2015. [15]

(1) Cash & bank balance on 1-4-2015 Rs.20,000.

(2)

Months	Sales	Purchases	Wages	Overhead Exps.
February	2,00,000	1,00,000	40,000	30,000
March	1,50,000	90,000	36,000	20,000
April	2,25,000	1,10,000	48,000	35,000
May	3,00,000	1,60,000	50,000	40,000
June	1,75,000	80,000	42,000	25,000

(3) Assume 20% of total sales as cash sales and 80% of credit sales.

(4) 50% of credit sales are realised in the month following sales and remaining 50% in the next month following.

(5) Commission on sales at 2% on total sales is to be paid within a month following actual sales.

(6) The period of credit allowed by supplier is one month.

(7) The time lag in payment of wages is  $\frac{1}{4}$  month and lag in payment of overhead expenses is  $\frac{1}{2}$  month.

(8) Dividend of Rs.20,000 for the year 2014-15 is to be paid in June 2015.

**OR**

**Q:4** The following particulars are available from the records of manufacturing company for two levels of activity: [15]

Particulars	60% (Rs.)	100 % (Rs.)
Direct material	9,000	15,000
Direct wages	6,000	10,000
Indirect wages	3,000	5,000
Repairs & maintenance	6,500	9,500
Power & fuel	3,750	5,750
Rent	12,000	12,000
Depreciation	10,000	10,000
Insurance	6,000	6,000
Administrative overheads	10,000	14,000
Selling overheads	6,000	8,000

At 100% capacity production is 5,000 units. Prepare a flexible Budget at 70 % and 90% capacity.

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