SVKM's NMIMS

School of Distance Learning

Programme: DFM/PGDFM

Academic Year: 2011-2012
Subject: Cost & Management Accounting

Date: 3.1.2012

Semester II
Course New
Marks: 70
Time: 11.00 a.m to 2.00 p.m

TIME: 3 hours

Instructions : Candidates should read carefully the instructions printed on the question paper and on the Answer Book, which is provided for their use.

NB :
1. Answer to each question to be started on a fresh page
2. Figures in bracket indicate full marks

Question 1 Define any 2 out of 4 (Marks 10) - Answer in Brief

a. Cost Classification
b. Prime Cost
c. Marginal Cost
d. Flexible Budget

Question 2. Write Short notes on any 2 out of 5 (Marks 10) - Answer in Brief

a. Cost Accounting and Financial accounting
b. Techniques of Costing
c. Cost – Volume - Profit analysis
d. Activity Based Costing
e. Joint product and By product

Question 3. Attempt any 3 out of 5 (Marks [illegible])

a. Flexo Pharma Ltd Company has following information –

Production - 1000 units
Standard material required per unit - 2 kgs
Standard material price per kg. – Rs. 10
Standard Labour hours per unit – 2 hrs.
Standard labour hour rate per hour - Rs. 20 per hour
Actual material used - 2200 kgs @ Rs. 9 per kg.
Actual Labour hours worked 1900 @ Rs. 21 per hour

You are required to calculate following –

a. Material Cost, Price and Usage variances
b. Labour Cost, Rate and Efficiency variances

b. With the help of following information, prepare a Cost Sheet:

Particulars	Amount (Rs.)
Opening Stock – raw materials	6,000
Opening Stock – finished goods	15,000
Raw material purchased	30,000
Direct wages	12,000
Power	8,000
Income Tax	7,000
Office Rent	3,000
Plant depreciation	4,000
Factory Rent, Rates & Taxes	6,000
Freight on Purchases	3,000
Office Salaries	5,000
Printing & stationery	2,000
Salesman's incentives	3,000
Advertisement expenses	3,000
Sales	1,25,000
Closing Stock – raw materials	10,000
Closing Stock – finished goods	20,000

c. A product passes through two distinct processes "X" & "Y". The output of "X" passes on to "Y" and that of "Y" becomes finished product.
From the following information, prepare the process accounts.
Also prepare working notes in support of your answer.

Particulars	Process "X"	Process "Y"
Material Consumed (Rs.)	24,000	12,000
Direct Labour(Rs.)	28,000	16,000
Manufacturing expenses(Rs.)	7,960	8,540
Input in Process "X" (units)	20,000	-----
Input in Process "X" (Rs.)	20,000	-----
Output (units)	18,000	16,600
Normal Loss (%)	5	10
Scrap Value of normal Loss per 100 units (Rs)	16	20

d. Adidas Ltd sells jogging suits at Rs.500 per piece. It has Capacity to make 20000 jogging suits per annum.
The variable manufacturing cost per suit is Rs.240.
In addition, there is also a variable selling cost per suit of Rs.20 on account of a special commission to the dealers.
Fixed Costs on manufacturing are Rs.10 lakhs. Fixed costs on advertising are Rs. 2,00,000.

a. How many suits should be sold to break even?
b. What would be impact on Break even point if variable manufacturing cost goes up by Rs. 40 per suit?
c. Based on the market research and the commission and advertising strategy, the firm expects to sell 8000 pieces based on this strategy.
   What will be profit for Adidas Ltd?
d. Lately, the firm has also received a trial export order from Brazil. @ Rs.350 per piece, for 1000 suits.
   As the management consultant, please give your advice with supporting details

e. Flamingo Ltd envisages working at either 60, 70 or 80% of its capacity next year. Installed Production capacity is 50,000 units.
The sale price per unit will be Rs.120, 100 and 90 respectively i.e. inversely with enhanced capacity utilization.
Variable costs per unit will be Rs. 60, 50 and 40 respectively, i.e. falling with enhanced capacity uilization.
The Fixed Costs will be Rs.5,00,000 at 60% capacity, rising to Rs.6,00,000 at 70% and Rs.7,00,000 at 80% capacity utilization.

Prepare a flexible budget, showing the profitability at all levels of production envisaged

Question 4. <u>Case Study (Marks 20)</u>

Departmental Store has been suffering from low business, low volumes for quite sometime. It resulted in decline of profits over last 2 years. Senior Management of Departmental stores decided to look into department wise profitability instead of analysing overall results in order to take appropriate decision to bring business back on track of growth and profitability.

The financial analyst extracted year 2009 records and presented detailed report to the management. The summary of the department wise profitability is reproduced below -

	Departments				
	Sports	Footwear	Food	Appliances	Total
Sales	25000	40000	30000	35000	130000
Marginal Cost	27500	30000	10000	10000	77500
Fixed Cost (Apportioned)	2500	20000	5000	5000	32500
Total Cost	30000	50000	15000	15000	110000
Profit/(Loss)	(5000)	(10000)	15000	20000	20000

On the basis of the above analysis, senior management had series of meetings which has resulted in following decisions –

a. Discontinue Footwear Department instantly, as the loss is maximum.
b. After that Sports Department will be discarded as it is also running in to losses.

Do you agree with decision of the senior management?
Whether Yes or No, justify your answer.

What would be your recommendation?

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