[This question paper contains 8 printed pages.]

Your Roll No...............

Sr. No. of Question Paper : 1117 **L**

Unique Paper Code : 2922071201

Name of the Paper : Cost and Management Accounting

Name of the Course : **BBA (FIA) (NEP)**

Semester : II

Duration : 3 Hours Maximum Marks : 90

Instructions for Students

1. Write your Roll Number on the top immediately on receipt of the Question Paper.

2. Attempt any 5 questions and answer all parts of each question together.

3. All questions carry equal marks

4. Use of simple calculator is allowed

5. Any assumptions made by you while attempting a question must be clearly stated.

P.T.O.

Question 1.

a) From the books of PQR Ltd. the following information is provided for the month of September 2025:

Stock of finished goods on September 01, 2025	1250 units.
Stock of finished goods on September 30, 2025	?

Particulars	Amount (Rs.)
Stock of raw materials on September 01, 2025	21,250
Work in progress on September 01, 2025	21,250
Stock of raw materials on September 30, 2025	19,300
Work in progress on September 30, 2025	21,400
Raw materials purchased	3,47,500
Carriage inward	18,100
Direct wages	1,61,400
Direct expenses	24,300
Factory power and fuel	35,300
Electricity- office	15,840
Stationery	3,460
Selling and Distribution overheads	23,383
Salary and wages for supervisor and foremen	14,000

Additional information:

(i) Opening stock of finished stock is to be valued at Rs.8 per unit.
(ii) Closing stock of finished stock to be valued at the relevant month's cost of production using FIFO method.
(iii) During the month 76,000 units were produced and 76,300 units were sold.
(iv) Profit is charged at 20% on sales.

Prepare Cost sheet for the month ended on September 30, 2025. Also calculate selling price per unit. **(12 Marks)**

b) "Material Mix Variance and Material Yield Variance provide deeper insight into production efficiency than basic usage variance." Comment on the statement with suitable explanation. **(6 Marks)**

Question 2.

AGM Ltd., engaged in manufacturing agricultural machinery, is preparing its annual budget for the coming year. The company has a metal pressing capacity of 20,000 hours, which will be insufficient for manufacture of all requirements of components A, B, C, and D.

The company has the following choices:

- Buy the components entirely from outside suppliers, or
- Buy from outside suppliers and/or use a partial second shift.

The data for the current year are given below:

Standard Production Cost per Unit

Particulars	**A (₹)**	**B (₹)**	**C (₹)**	**D (₹)**
Variable Costs:				
Direct Materials	37	27	25	44
Direct Wages	10	8	22	40
Direct Expenses	10	20	10	60
Fixed Overhead (₹)	5	4	11	20
Total Production Costs (₹)	62	59	68	164
Requirements (in units)	2,000	3,500	1,500	2,800
Purchase Price (₹)	60	59	52	168

Direct expenses relate to the use of metal presses, which cost ₹10 per hour to operate. Fixed overheads are absorbed as a percentage of direct wages. Supply of all or any part of the total requirements can be obtained at the given prices for each component delivered to the factory. Second shift operations would increase direct wages by 25% over the normal shift and fixed overhead by ₹500 for each 1,000 (or part thereof) second shift hours worked.

Required:
Advise the management regarding the optimal production and purchase policy for components A, B, C, and D, considering the limited metal pressing capacity.
(18 Marks)

Question 3.

a) A company provides you the following information with respect to a particular job for a week:

Workers	Number of Workers		Wage Rate per Hour (Rs.)	
	Standard	Actual	Standard	Actual
Skilled	16	14	15	20
Semi-Skilled	6	9	10	15
Unskilled	3	2	5	10

During 40 hours of working week, the gang produced 900 standard labour hours of work. You are required to calculate:

(i) Labour Cost Variance

(ii) Labour Rate Variance
(iii) Labour Efficiency Variance
(iv) Labour Mix Variance
(v) Labour Yield Variance.

(12 Marks)

b) What is Zero Base Budgeting? Differentiate between Zero Base Budgeting and Conventional (Traditional) Budgeting. **(6 Marks)**

Question 4.

a) X Ltd. has prepared the following Sales Budget for the first five months of 2026:

Months	**January**	**February**	**March**	**April**	**May**
Sales Units	21,600	31,200	24,400	20,800	19,600

Inventory of finished goods at the end of every month is to be equal to 25% of the sales estimate for the next month. On 1st January, 2026, there were 5,400 units of product on hand. There is no work-in-progress at the end of any month.

Every unit of product requires two types of materials in the following quantities:

- Material A — 4 kg @ Rs. 20 per kg
- Material B — 5 kg @ Rs. 10 per Kg

Materials equal to one-half of the requirement of the next month's production are to be in hand at the end of every month. This requirement was also met on 1st January, 2026.

Required:

Prepare the following budgets for the quarter ending 31st March, 2026:

i). Production Budget

ii). Material Purchase Budget **(12 Marks)**

b) Discuss the scope of Cost Accounting and Management Accounting in modern business organizations.

(6 Marks)

Question 5.

a) Fastest Sports Ltd. has for the past several years produced boxing gloves, which are sold at ₹28 per pair. Higher costs in recent years have made management reconsider the adequacy of this selling price.

The following changes in costs have taken place:

- The labour rate has increased from ₹1.75 per hour to ₹2.25 per hour.
- The cost of leather has increased from ₹1.10 to ₹2.15 per square foot during the last five years.
- Fixed expenses have increased by 25% from the level of ₹18,000 five years ago.
- Variable overhead has increased by 30%, or ₹3 per pair of gloves.
- Each pair of gloves requires 1.5 sq. ft. of leather and 1 hour of direct labour.

Required:

i). Calculate the new selling price that the company should charge under the revised cost structure so that it can break even at the same number of units as five years ago.

ii). Calculate the new selling price if the company wishes to earn the same Profit–Volume (P/V) ratio as before. **(12 Marks)**

b) "Target Costing is not merely a costing technique but a strategic profit management system." In light of this statement, discuss how the 'Price-Led, Cost-Driven' approach differs from traditional 'Cost-Plus' pricing. Explain why target costing is considered more effective in today's highly competitive market. **(6 Marks)**

Question 6. Explain any three of the following with suitable examples.

i). Under-absorption vs. Over-absorption
ii). Cost Drivers in ABC
iii). Overhead Budgets
iv). Standard Costing – Meaning, Advantages and Limitations **(6*3=18 Marks)**

iii). Overhead Budgets

iv). Standard Costing – Meaning, Advantages and Limitations **(6*3=18 Marks)**