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Your Roll No.....

Sr. No. of Question Paper : 1112

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Unique Paper Code : 2922061201

Name of the Paper : Cost and Management Accounting

Name of the Course : BMS (NEP: UGCF-2022)

Semester : II

Duration : 3 Hours

Maximum Marks : 90

Instructions for Candidates

1. Write your Roll No. on the top immediately on receipt of this question paper.
2. Attempt **any 5** questions and answer all parts of each question together.
3. **All** questions carry equal marks. Use of simple calculator is allowed.
4. Any assumptions made by you while attempting a question must be clearly stated.

Question 1

(a). Explain how costs are classified based on the functions of a business. Why is it important for a manager to separate "Production" costs from "Period" costs when calculating the value of unsold inventory? **(6 Marks)**

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

Particulars	₹ per unit
Materials	70
Labour	25
Variable overheads	20
Fixed overheads (₹ 1,00,000)	10
Variable expenses (direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses (₹ 50,000)	5
Total	155

P.T.O.

Prepare a budget for the production of (a) 8,000 units, and (b) 6,000 units. Assume that administration expenses are rigid for all levels of production. (12 marks)

Question 2

(a). "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)

(b) XYZ Industries Ltd. manufactures a product 'A' by producing and assembling three components X, Y and Z. These components are made in a machine shop using three identical machines, each capable of producing any of the components. However, the total available machine capacity is 15,000 machine-hours per month, which is currently fully utilized to meet existing demand. From next month, the company expects the demand for A to rise 20%.

The following information is given:

Components	Machine hours required per unit	Variable cost (in ₹)	Market price at which the component can be purchased if required (in ₹)
X	3	45	62
Y	4	55	78
Z	5	70	100
Assembling		35 (per unit of A)	

Fixed costs per month = ₹60,000

Selling price of Product A = ₹320 per unit

- Calculate the current production level and profit of the company.
- Identify which component should be purchased and determine how many units of that component should be bought to meet the increased demand by 20%.
- Calculate the profit if the company follows the decision suggested in part (ii).

(12 Marks)

Question 3

(a) Explain the meaning and steps involved in Budgetary Control.

(6 Marks)

(b) A factory has three production departments (A, B, C) and two service departments (X and Y). The following primary overheads are to be distributed among the departments:

Particulars	Amount (₹)
Rent and Rates	10,000
Depreciation on Machinery	20,000
Motive Power	6,000
Canteen Expenses	12,000
Electricity / Lighting	4,000

Departmental Data:

Particulars	Dept A	Dept B	Dept C	Dept X	Dept Y
Floor Area (sq ft)	2000	2500	3000	2000	500
Value of Machinery (₹)	60000	40000	30000	10000	10000
Horse Power	60	30	50	10	-
No. of Employees	20	15	25	10	10
Light Points	10	15	20	5	10

After the primary distribution, service department expenses are distributed as follows:

Service Dept	A	B	C	Other Service Dept
X	30%	25%	20%	25% to Y
Y	40%	20%	10%	30% to X

Required:

- Prepare the Primary Distribution Summary.
- Re-apportion service department overheads using the Simultaneous Equation Method.
- Determine the total overheads of Production Departments A, B and C.

(12 Marks)

Question 4

(a) Discuss the specific circumstances under which a firm may decide to set its selling price at or below its Marginal Cost. (6 Marks)

(b) In a factory, 100 workers are engaged and the average rate of wages is ₹ 5 per hour. Standard working hours per week are 40 hours, standard output is 10 units per hour. During a week in February, wages were paid for 50 workers @ ₹5 per hour, 10 workers @ ₹7 per hour and 40 workers @ ₹8 per hour. Actual output was 300 units. The factory did not work for 5 hours due to a breakdown in the machinery.

Calculate Labour Cost Variance, Labour Rate Variance and Idle Time Variance. (12 Marks)

P.T.O.

Question 5

(a) Distinguish between budgetary control system and standard costing system as a tool of planning and control highlighting their relative merits. (6 Marks)

(b) A company manufactures a product using 80% capacity with the turnover of ₹8,00,000 at ₹25 per unit. The Material cost ₹7.50 per unit, Labour cost ₹6.25 per unit. Semi-variable cost (including variable cost of ₹3.75 per unit) ₹1,80,000. Fixed cost ₹90,000 upto 80% level of output, beyond this an additional ₹20,000 will be incurred.

Calculate:

- i). Activity level at break-even point
- ii). Number of units to be sold to earn a net income of 8% of sales
- iii). Activity level needed to earn a profit of ₹95,000
- iv). What should be the selling price per unit if break even point is to brought down to 40% activity level. (12 Marks)

Question 6

Explain any three of the following with suitable examples.

- i). Treatment of "Scrap" in a Cost Sheet
- ii). Standard cost and estimated cost
- iii). The limitation of standard costing
- iv). The 'Whole-of-Life' Concept in Life Cycle Costing
- v). Angle of incidence

(6*3=18 Marks)