

MID-WESTERN UNIVERSITY
FACULTY OF MANAGEMENT
FINAL EXAMINATIONS: 2075
MASTER OF BUSINESS STUDIES (MBS)
SEMESTER - II

Subject: Cost & Management Account

Course Code: MGMT 525

Full Marks: 60

Time: 3:00 Hours

You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.

SECTION A: CRITICAL THINKING QUESTIONS (10 X1 = 10 MARKS)

Answer all questions:

- Q1. State the meaning of financial accounting.
- Q2. Management accounting is a qualitative accounting. Justify.
- Q3. Differentiate between unit cost and cost per unit.
- Q4. Show the difference between cost sheet and tender sheet.
- Q5. Express the any two basic assumption of cost volume profit analysis.
- Q6. Show the relationship between margin of safety and net profit margin.
- Q7. Enumerate any two causes of profit differences between marginal and full costing method.
- Q8. The half yearly sales figure divided into equal six calendar months for the last year was Rs. 6, 00,000. The company expects a general decline in sales for the coming months by 10 %. However, the company has decided to launch special advertisement campaign, which will gradually increase the sales by 10%, 15% and 20% in subsequent three months.

Required:- sales budget of the company for first three months

- Q9. A furniture company's contribution margin ratio is Rs. 40% and sells 30,000 units @ Rs.70 each in order to break even.

Required:- a) Total fixed cost
b) Variable cost per unit

- Q10. "Sales budget is the basic budget of production budget" Explain.

SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)

Answer any THREE questions:

- Q11. "The controller should be a member of top management staff". Justify for this statement with his/her roles responsibilities. (8)
- Q12. Following cost data is the 1600 units of sport dress production by Laxmi Garment Center.

Particular	Amount Rs.	Particular	Amount Rs.
Direct Material used	64,000	Office rent and tax	20,000
Productive labor	96,000	selling expenses	10,000
works overhead	40,000	Sales revenue	320,000
Administration expenses	24,000	Showroom rent	10,000
Management expenses	48,000		

The company has a special order for 2,000 pairs. The sales and production manager of Laxmi Garment Center assumes the following situation for production and operation for 10 % mark up on cost price.

- Price of raw materials will decrease by 20% on previous level
- Direct labor will increase by 10 % on previous level
- Factory overhead will rise in the proportion to the prime cost.
- Other expenses remain unaffected by the rise in output.

Required: - Quotation price based on past cost sheet.(4+4=8)

Q13. You are given the following income statement

Particulars	Amount Rs.
Sales(5,000 X Rs.50)	250,000
Less:- Cost of Goods Sold:-	
Materials	22,500
Labors	22,500
Direct expenses	10,000
Fixed overheads	<u>20,000</u>
	75,000
Contribution Margin	175,000
Less :- Non manufacturing cost	
Variable administration and selling expenses	45,000
Fixed administration and selling expenses	<u>30,000</u>
	75,000
Net profit before tax	100,000

Required:-

- Cost volume ratio (2)
- BEP in unit and Rs.(2)
- BEP in unit and Rs. if 25% increase in variable cost(1)
- BEP in unit and Rs. if fixed cost increase by 30 %(1)
- Sales volume in unit and Rs. to earn profit Rs. 6 per unit of sales.(2)

Q14. Yamaha Company Manufacturers motorcycle parts and sells it on a special product to the Denish Yamaha showroom Surkhet . The selling price per parts is Rs.100. The fixed manufacturing overheads for the current year were Rs. 450,000. The variable selling cost incurred Rs.8 per parts. The fixed administration cost was incurred for the current year Rs. 400,000. Other relevant information gathers and supplied to you as following.

Particulars	Nom. of parts	Variable mfg. CPU(Rs.)	Fixed mfg.CPU(Rs.)
Beginning inventory	2,000	20	15
Production	24,000	30	18 (based on normal capacity)
Sales	20,000		

Required:-

- Using LIFO inventory valuation technique, prepare Income statement for under Variable costing and Full costing (4+3=7)
- Explain the causes of profit differences between two statements.(1)

SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any TWO questions:

Q15. “On the basis of historical development cost account is a second generation of accounting discipline between financial and management accounting but it is a main base pillar for them.”Justify the statement explaining the differences between them. And state the challenges for management accounting discipline. (8+5=13)

Q16. Following is the income statement of a electronic multi-product manufacturing company

Particulars\ Products	Mobile	Camera	Total
Unit produced and sold	1000	600	1,600
Sales revenue	Rs.340, 000	Rs.174, 000	Rs. 514, 000
Less;- variable cost of goods sold:-			
Direct materials @ Rs. 25 per unit	Rs.125, 000	Rs. 60, 000	Rs.185, 000
Direct labor @ Rs. 10 per hours	<u>Rs.70, 000</u>	<u>Rs. 80, 000</u>	<u>Rs. 150, 000</u>
Contribution margin	Rs.145,000	Rs.34,000	Rs.179, 000
Less: product wise fixed cost	<u>Rs 40,000</u>	<u>Rs.20, 000</u>	<u>Rs. 60, 000</u>

	Rs.105,000	Rs. 14, 000	Rs. 119, 000
Less :- Joint fixed cost			<u>Rs. 35, 000</u>
Net income before tax			Rs.84, 000

Required:

- Overall BE sales in unit.(2)
 - BE sales in unit of the company if the sales mix is change to one to one.(2)
 - Decision regarding choice of mix.(1)
 - Use LP technique to maximize contribution under constraint given on availability of raw materials: 3,500 units and maximum labor hour available: 6, 000 hrs(6)
 - Utilization of constraints at the activity level that yield maximum profit.(2)
- Q17. The opening balance sheet and other related information necessary to prepare master budget have been given below:

Opening Balance sheet

Capital and liabilities	Amount Rs.	Assets	Amount Rs.
Share capital	583,000	Inventory:-	
Creditors	100,000	-raw materials(25,000 units)	125,000
Debenture loan	1,00,000	-Finished goods(18,000 units)	396,000
		Debtors	152,000
		Cash	10,000
		Fixed assets	100,000
	783,000		783,000

Other information:

Month	Actual and estimated Sale		Production budget (unit)	Manufacturing overhead cost			
	Units	Total Rs.		Expenses head	Jan	Feb.	March
Nov.	10,000	200,000		Indirect materials	30,000	40,000	50,000
Dec	15,000	300,000		Indirect wages	45,000	50,000	55,000
Jan	15,000	300,000	20,000	Others	55,000	55,000	55,000
Feb.	20,000	400,000	25,000	Total	130,000	145,000	160,000
March	25,000	500,000	30,000				
April	30,000	600,000	35,000				
May	35,000	700,000	-				

- Depreciation charge on fixed asset Rs.1000 monthly.
- Each unit of finished product will needs 3 unit of raw material at a cost of Rs.5
- 2 Direct labor hour required per unit of output at Rs.3.50 per direct labor hour.
- The selling and distribution cost will be 10% of sales revenue. All direct labor cost and overheads cost will be paid in the month when they become due. All purchase will be paid in the next month of purchase.
- 2nd and final call on share capital total Rs. 8, 00,000 will be received on February after 10% discount.

- The company has entered in to agreement with a commercial bank for the line of credit to meet the deficiency of cash. According to agreement all borrowing will be in a multiple of Rs.5, 000 and payment in Rs.1, 000 with an interest 12% for the amount of loan repaid.
- Out of total sales 20% will be in cash. 50% of credit sales will be collected in the month of sales, 30% in the next month of sales and the balance in the next following month of sales. Bad and uncollectable debt will be negligible.
- Desired ending balance of raw materials at the end of each month will be sufficient inventory unit to meet next month production need; and a minimum cash and bank balance of Rs.10, 000. Debenture debt will be mature on early January next year.

Required:

- a. Material purchase budget (unit and Rs.) for January to March(2)
- b. Direct material cost budget(1)
- c. Direct Labor Hour budget (Hour and cost) (1)
- d. Cash collection and disbursement budget (5)
- e. Budgeted income statement (2)
- f. Budgeted balance sheet at the end of March.(2)

