MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
MAKE-UP EXAMINATION: 2076
MASTER OF BUSINESS STUDIES (MBS)
SEMESTER - II

Subject: Cost and Management Accounting 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 X2 = 20 MARKS)

Answer all questions:

Q1. Discuss the meaning of cost accounting.

Q2. Financial accounting is a quantitative subject matter. Discuss.

Q3. Differentiate between out of pocket cost and input unit.

Q4. Show any two differences between cost sheet and tender sheet.

Q5. Point out any two basic limitations of cost volume profit analysis.

Q6. Show the relationship between flexible budgeting and zero based budgeting.

Q7. Present any two reasons for fixed manufacturing cost adjustment on external costing reporting statement.

Q8. Prepare production budget based on the basis of following budgeted sales for the next four months;

Months	Baisakh	Jestha	Ashad	Shrawn
Sales unit	16,000	26,000	32,000	28,000

The company is now in the process of preparing a production budget for the 1st quarter. Past experience has shown that the end of month inventory levels must equal 50% of the following month's sales. The inventory at the beginning of Baisakh is equal to 8,000 units.

Q9. A biscuit company sells 50,000 packet biscuits @ Rs.50 each, makes zero profit and profit volume ratio is Rs. 60%.

Required:-

a. Total standing cost

b. Variable cost per unit

Q10. Enumerate any four key duties and responsibilities of management accountant.

SECTION B: SHORT ANSWER QUESTIONS (6 X 8 = 48 MARKS)

Answer any SIX questions:

Q11. The management accountant has executive power although he/she is an employee." Highlighting this statement, express the his/her roles on behalf of employees and organization.(8)

Q12. A manufacturing company has following cost details for 6,000 unit Caps of the last year:

Factory overhead Rs. 60,000
Administrative overhead Rs. 16,000
Direct materials Rs. 90,000
Direct wages Rs. 60,000
Other works overhead Rs. 32,000
Marketing expenses. Rs.10, 000
Office overhead Rs. 16,000
Selling overheads Rs. 4,000
Profit 25% on selling price

The company has a chance for supply 2,000 unit Caps as a special price basis. For the determination of total cost and selling price, the costing department estimated raw materials cost will increase by 20% and, decrease in direct wages by 10%, administrative overhead absorb on the basis of factory cost and no provision for marketing expenses.

Required:

a) Cost Sheet (4) b) Estimated cost sheet with selling price. (20% profit on cost) (4)

Q13. A shoes company uses on LIFO inventory system, in which costs are calculated on a monthly basis and it sells at Rs. 1,500 per unit shoe. Data relating to Ashadh and Shrawan are;-

Particulars	Ashadh	Shrawan
Total manufacturing expenses	Rs.100,000	Rs.100,000
Total distribution expenses	Rs.50,000	Rs.50,000
Manufacturing cost per unit	Rs.300	Rs.300
Selling expenses cost per unit sold	Rs.400	Rs.400
Unit data:-		
Beginning inventory	0	500
Production	1,500	1,500
Sales	1000	1,500

Required:-

a. Income statement for Ashadh and Shrawan under internal and external reporting(3+3=6)
b. Explain the causes of profit differences between two statements.(2)

Q13. An electric house introduces so many styles of bulbs that are all sold at the same price @ Rs. 50 each. In order to encourage the sales personnel, the house provides sales commission on each bulb sold. The following cost information is given:

Variable expenses per bulb		Fixed expenses per year	
Invoice cost	Rs.15	Selling and distribution expenses	Rs.50,000
Sales commission	Rs.5	Office and management expenses	Rs.100,000
Total variable expenses	Rs.20	Total fixed expenses	Rs.150,000

An electric house is a fairly new organization, has asked you, as a member of its planning group, to assist in some basic analysis as per cost volume profit analysis.

Required:-

a. Calculate the annual break-even point in Rs. and units.(2)
b. The company is considering paying the manager an incentive commission of Rs.2 per bulb in addition. If this change made, what will be the new break-even point sales?(2)
c. Concern to the original data as an alternative to (b) above; the house is considering to pay Rs.5 as commission on each bulb sold excess break- even point. If the change is made, what will be net income (loss) from 20,000 bulb sold?(2)
d. Concern to original data that the company is considering for sales commission entirely elimination in its house and increasing fixed salary by Rs. 50,000 annually.
   i. If the change is made, what will be new break-even point sales?(1)
   ii. Would you recommended for the change to be made as per above b, c and d? (1)

Q14. "A flexible budget is a budget designed to change in accordance with the level for activity actually attained." Justify the statement and also mention the features of flexible budget.

(4+4)

SECTION C: LONG ANSWER QUESTIONS (2 X 16 = 32 MARKS)

Answer any TWO questions:

Q15. "Management accounting technique is helpful in number of ways; even though it has certain limitations."Justify the statement explaining the limitations of management accounting. And state the managerial functions of management accounting discipline.(6+7=13)

Q16. A company produces two products X and Y containing three essential elements A, B and C. The contain of each element in each product and their cost along with the minimum requirement of element are given.

Product	Element Contain			Variable Cost per Unit	Contribution Margin per Unit
	A	B	C		
X	5	6	3	Rs.8	Rs.6
Y	6	4	6	Rs.6.40	Rs.4
Minimum requirement of element	90	96	60		

Total constant cost Rs. 42,000

Required:

a. Least combination of X and Y that provide minimum requirement of three elements. (6)
b. Utilization of constraints at the activity level that yield minimum cost.(2)
c. BEP sales unit of the company if sales mix ratio is 4:3 (2)
d. BEP sales in unit of the company if the sales mix ratio is change to 3:4(2)
e. Decision regarding choice of mix.(1)

Q17. A company wants to prepare master budget on the basis of following information for the year 2019;

a. As of march 31st , 2019 balance sheet of company as;

Assets	Amount Rs.	Liabilities	Amount Rs.
Cash in hand	9,000	Supplier	18,300
Debtors	48,000	Capital	180,000
Stock	12,600	Retain earning	71,300
Fixed Asset	200,000		
Total	269,600	Total	269,600

b. Sales are as follows;-

Particulars	Actual	Budgeted			
Month	March	April	May	June	July
Sales Rs.	60,000	70,000	85,000	90,000	50,000
Sales term: 20% on cash and 80% on credit. All credit term are net 30 days.					

c. Monthly budgeted expenses are as;-

Expenses head	Administration	Carries-out	Advertising	Depreciation	Others
Amount Rs.	Rs.7,500	6% of sales	Rs.6000	Rs.2,000	4% of sales
Payment on same month when incurred.					

d. Inventory at the end of each month equal to 30% of the following month's sales needs, stated at cost, gross profit margin 20%.
e. 50 % inventory purchase is paid in the month of purchase and half in the following month.
f. Furniture purchase will be Rs.11, 500, Rs. 8,250 for the April and May.
g. Dividend Rs.4, 000 will be declared and paid in June.
h. The company must maintain a minimum cash balance of Rs.8, 000. An open line of credit is available at a local branch of Global IME bank Surkhet. All borrowing is done at a begging of a month, and all payment of at the end of month. Borrowing and repayment of principle must be in multiple of Rs.1, 000. Loan repayment on FIFO basis. Interest is paid only at the time of principle amount paid. However, any interest of unpaid loans should be properly accrued when statement are prepared. The interest rate is 12% p.a.

Required:-

i. Cash collection for the month of April, May and June.(2)
ii. Cash budget for the month of April, May and June.(5)
iii. Projected income statement for the quarter ending June 30(3)
iv. Projected balance sheet as of June 30.(3)

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