Tribhuvan University

Faculty of Management

Model Question

BBA/BIM /4th Semester/Cost and Management Accounting

F.M.: 60 **Time: 3 Hrs.** **P.M.: 27**

Candidates are required to give answers in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Group "A"

Brief Answer Questions **(2x5=10)**

1. Differentiate between product and period cost.
2. A manufacturing Company's cost structure at two different levels of outputs are:

Output (Units)	Total Cost (Rs.)
200	1200
500	1800

Required: Cost for 600 units

3. The following information is provided:
   Economic order quantity= 600 units
   Annual requirement of raw material= 36000 units
   Cost per unit= Rs.20
   Carrying cost is 10% of inventory value
   Required: Ordering cost per order

4. A worker working 18 hours gets Rs.380 under Halsey Plan. The time rate of wages is Rs.20 per hour.

Required: Total wages under Rowan Plan

5. The following overheads are extracted from the company:

Electricity	Rs.30000
Depreciation	Rs.60000

Other details are:

	No. of light points	Assets Value (Rs.)
Department X	140	200000
Department Y	160	400000

Required: Total overhead of department X and Y.

Group "B"

Short Answer Questions: **(4x5=20)**

6. "Management accounting is concerned with accounting information, which is useful to the management," explain.

7. A company has installed capacity of 25,000 direct machine hours (DMH) the production and sales volume at present have given below:

Production and sales in unit:	70,000 units
Cost of producing one unit:	
Direct material	Rs.8
Direct labor 0.5 hours	Rs.6
Manufacturing overhead 0.25 DMH	Rs.5
Total cost	Rs.19
Selling price per unit:	Rs.20
Budgeted fixed overhead at capacity volume:	Rs.200, 000

The company received an offer to supply 40,000 units at a price of Rs.16 per unit.

Required:

a. Differential cost analysis to decide whether the company should or should not accept the offer.
b. The opportunity cost if the company accepts the offer.

8. A manufacturing company had the following relevant information:

Direct Material =		Rs.6
Direct Labour =		Rs.6
Variable Manufacturing Cost per Unit =		Rs.5
Selling Price per Unit =		Rs.30
Fixed Manufacturing Overhead per Unit		Rs.5
Fixed Selling Expenses		Rs.72000
Variable Selling Expenses		Rs.6 % of Sales
Normal Capacity =		30000 units
	Year 1	Year 2
Production Units	25000	25000
Sales Units	23000	26000

Required:

a. Income Statement under variable costing system for year 2.
b. Profit from absorption costing system without preparing income statement.

9. The following information of a manufacturing company is provided:

Standard:

Material	Quantity	Standard Price per kg
X	300 kg	Rs.9
Y	700 kg	Rs.10

Actual:

Material	Quantity	Actual Price per kg
X	350 kg	Rs.8
Y	650 kg	Rs.11

Standard Loss is 10% and Actual output is 950 kg

Required: Different Material Variances

Group C

Comprehensive Answer Question **(1x30=30)**

10. The Financial Statement of XYZ Company on 31st December, 2014 is:

Balance Sheet As on 31st December, 2014

Liabilities	Rs.	Assets	Rs.
Share Capital	425000	Fixed Assets	150000
Account Payable	270000	Investment	100000
Accrued administration		Account Receivable	280000
expenses	75000	Inventories	270000
Net Profit	60000	Cash Balance	30000
Total	830000	Total	830000

Gross profit averages 40% of sales. The company has a policy of maintaining sufficient inventory to meet the next month's sales need. Experience shows that all purchases are paid in the next month of purchase.

The actual and budgeted sales for different months are as follows:

Months	Sales (Rs)
November (Actual)	500000
December (Actual)	500000
January (Budgeted)	450000
February (Budgeted)	500000
March (Budgeted)	450000
April (Budgeted)	550000

20% sales are for cash. Out of credit sales, 50% are collected in the month of sales, 30% in the next month of sales and remaining is collected next following month of sales. Administrative expenses will be 15% of sales which will be paid next month. Selling expenses are 10% of sales which is payable in the same month. Company is going to purchase furniture and investment at the beginning of the January costing Rs.150000 and Rs.50000 respectively. The company will pay interim dividend of Rs.30000 at the end of March. The company keeps minimum cash balance of Rs.30000. If the cash is not sufficient, the company can borrow from bank in the multiple of Rs.5000 with 12% interest per annum on loan paid. All the repayments are made in the multiple of Rs.2000 and the interest will be paid in the multiple of Rs.100. Depreciation rate per year is 10%.

Required:

a. Merchandize Purchase Budget for three months ending March (5)
b. Selling and Administrative Expenses Budget for three months ending March (2)
b. Cash Budget for three months ending March (8)
c. Budgeted Income Statement up to March (4)
d. Budgeted Balance Sheet at the end of the Marche (4)
e. Total fixed and total variable costs (2)
f. Breakeven sales in Rs. (3)
g. Sales required to earn after tax profit of Rs.42000 if tax rate is 30% (2)

*****