

**Paper 10- Cost & Management Accountancy**

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Full Marks: 100

Time allowed: 3 Hours

**Section A**

1. Answer Question No.1 which is compulsory carrying 25 Marks

(a) Answer the following

[5 x 2 = 10]

- (i) Overhead volume variance is ₹1000 (Adverse). Budgeted Overheads ₹ 6000. Standard Overhead Rate Per hour ₹ 5. Find Standard Hours for actual Output?
- (ii) Sales during the following months  
2015-Oct ₹ 12,00,000  
2015-Nov ₹ 14,00,000  
2015-Dec ₹ 16,00,000  
60% of sales are collected in the month after sales, 30% in the second month and 10% in the third month. What is the Budgeted collection from Debtors for the month of Jan'2016?
- (iii) Fixed Cost ₹ 2,00,000, P/V Ratio 25%, Margin of Safety sales is ₹ 12,00,000. What is the amount of Total Sales?
- (iv) Cash Received from Contracted is ₹ 12,80,000 which is 80% of work certification, So What is the amount of work Certified?
- (v) Company has invested ₹ 5,00,000 in machinery for manufacturing a Product in Division X. Cost of Capital is 20%. The Profit from division X is ₹ 1,20,000 for the year, Compute the Residual Income from Division X?

(b) Match the following

[5 x 1 = 5]

	Column 'A'		Column 'B'
1.	Cost Driver	A	Contract Costing
2.	Bottleneck Hours	B	Financial Soundness of Business
3.	Budgetary Control	C	Throughput Accounting
4.	Retention Money	D	Management by Exception
5.	Margin of Safety	E	ABC Costing

(c) List out the any five objectives of Cost Audit.

[5]

(d) The Revenue function of a firm given by  $R = (2200 - 3x)\frac{x}{2}$ , find the firm's marginal revenue function.

[5]

**Section B**

**(Cost & Management Accounting – Methods & Techniques and Cost Records and Cost Audit)**

Answer any three questions from the following

Each question carries 17 marks

2. (a)

Item	Budget	Actual
No.of working days	20	22
Output per man hour	1.0 Units	0.9 Units
Overhead cost	₹1,60,000	1,68,000
Man-hours per day	8,000	8,400

Calculate Overhead Variances. [14]

(b) Write any three reasons for disagreement of Financial Profits with Cost Profits? [3]

3.(a) S Ltd. furnishes you the following information relating to the half year ended 30th June, 2009.

Fixed expenses	₹ 45,000
Sales value	₹ 1,50,000
Profit	₹ 30,000

During the second half the year the company has projected a loss of ₹ 10,000.

Calculate:

- (1) The B.E.P and M/S for six months ending 30th June, 2009.
- (2) Expected sales volume for the second half of the year assuming that the P/V Ratio and Fixed expenses remain constant in the second half year also.
- (3) The B.E.P and M/S for the whole year for 2009. [4+4+4=12]

(b) Prepare a production Budget for three months ending March 31, 2013 for a factory producing four products, on the basis of the following information.

Type of Product	Estimated Stock on Jan. 1, 2013	Estimated Sales during Jan. To Mar. 2013	Desired closing stock on 31.3.2013
A	2000	10000	3000
B	3000	15000	5000
C	4000	13000	3000
D	3000	12000	2000

[5]

4. (a) M/s Mysore Petro Ltd. showed a net loss of ₹ 2,08,000 as per their financial accounts for the year ended 31st March, 2012. The Cost accounts, however, disclosed a net loss of ₹ 1,64,000 for the same period. The following information was revealed as a result of the scrutiny of the figures of both the sets of books.

1) Factory overhead under recovered	3,000
2) Administration overhead over recovered	2,000
3) Depreciation charged in financial books	60,000
4) Depreciation recovered in costs	65,000
5) Interest on investment not included in costs	10,000
6) Income-tax provided	60,000
7) Transfer fee (in financial Books)	1,000
8) Stores adjustment (credit in financial books)	1,000

Prepare Reconciliation Statement. [7]

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- (b) A product passes through three processes— A, B and C. 10,000 units at a cost of ₹ 1.10 were issued to Process A. The other direct expenses were as follows:

	PROCESS-A	PROCESS-B	PROCESS-C
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process 'A' was 5% and in process 'B' 4%

The wastage of process 'A' was sold at Re. 0.25 per unit and that of 'B' at Re.0.50 per unit and that of C at Re. 1.00. The overhead charges were 160% of direct labour. The final product was sold at ₹ 10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process 'C' [10]

5. (a) Relevant data relating to a company are:

	Products			
	P	Q	R	Total
Production and sales (units)	60,000	40,000	16,000	
Raw material usage in units	10	10	22	
Raw material costs   ₹	50	40	22	24,76,000
Direct labour hours	2.5	4	2	3,42,000
Machine hours	2.5	2	4	2,94,000
Direct labour costs   ₹	16	24	12	
No. of production runs	6	14	40	60
No. of deliveries	18	6	40	64
No. of receipts	60	140	880	1,080
No. of production orders	30	20	50	100

Over heads:	₹
Setup	60,000
Machines	15,20,000
Receiving	8,70,000
Packing	5,00,000
Engineering	7,46,000

The company operates a JIT inventory policy and receives each component once per production run. Required to Compute the Product cost using activity based costing. [12]

- (b) A company fixes the inter-divisional transfer prices for its products on the basis of cost plus an estimated return on investment in its divisions. The relevant portion of the budget for the Division A for the year 2006-07 is given below.

Particulars	Amount in Rupees
Fixed Assets	5,00,000
Current Assets (other than debtors)	3,00,000
Debtors	2,00,000
Annual fixed cost for the division	8,00,000
Variable cost per unit of product	10

Budgeted volume of production per year (units) 4,00,000  
Desired Return on Investment 28%  
You are required to determine the transfer price for Division A. [5]

6. (a) What are the Other Services that a Cost Auditor of a company can provide to the company in which he is appointed as Cost Auditor? [8]
- (b) List out Annexure required to be attached along with Form CRA-3 by the Cost Auditors? [9]

**Section C**

**(Economics for managerial decision making)**

**Answer any two from the following**

**Each question carries 12 marks**

7. (a) How price of a product is determined under Perfect Competition? [6]
- (b) The cost function of a firm is given by  $c = x^3 - 4x^2 + 7x$ , find at what level of output Average Cost is minimum and what is that Average Cost? [6]
8. (a)

Year	2000	2001	2002	2003	2004
Sales(₹ Lakhs)	100	150	100	160	200

Using above information find the sales for 2005 by applying regression equation  $y = a + bx$ . [8]

- (b) Write a note about Delphi method of forecasting. [4]
9. (a) A manufacturer can sell "x" items ( $x \geq 0$ ) at a price of  $(330 - x)$  each; the cost of producing 'x' items is  $Rs.x^2 + 10x + 12$ . How many items should he sell to make the maximum profit? Also determine the maximum profit. [7]
- (b) Given Cost =  $x^3 - 10x^2 + 9x$ ; Revenue =  $12x^2 + 11x - 4$ . Find the total profit and hence marginal profits [5]