

Presidency University, Bengaluru
School of Management

Comprehensive Examination

I Semester 2015-2016

Managerial and Cost Accounting

MBA A 111

(Closed Book)

Max Marks: 80 marks

Max Time 3 hours

Weightage : 40%

11 January 2016

Instructions to Candidates:

Write legibly, briefly and summarize/highlight the main points

Part A

(2 X 10=20)

Answer all questions

1. Define the term "Cost Accounting"
2. Define the term "Cost Accountancy".
3. Differentiate between "Cost Control" and "Cost Reduction"
4. Mention the "Components of Total Cost"
5. Define the term "Cost Sheet." State the types of Cost Sheets.
6. Distinguish between "Cost Allocation" and "Cost Apportionment"
7. Mention the Methods of Costing."
8. State any four [4] basis of Classification of Costs.
9. Differentiate between "Fixed Budgets" and "Flexible Budgets"
10. Differentiate between "Budgetary Control" and "Standard Costing"

Part B

(5 X 8=20)

Answer all questions

1. Discuss the **technique of "Marginal Costing"**. Explain the different **methods for segregating Semi-variable Overheads**.
2. Differentiate between the following
 - a. Cost Unit and Cost Centre
 - b. Direct Cost and Indirect Cost
 - c. Product Costs and Period Costs.

3. What do you understand by the term "Budgeting". On the basis of the following information, prepare a **Production Budget** for the 6-month period **January to June 2016**

Product	Estimated Stock as on January 1, 2016	Estimated Sales during January 1, 2016 to June 30, 2016	Desired Stock as on June 30, 2016
A	2,000	20,000	3,000
B	3,000	30,000	5,000
C	4,000	26,000	3,000
D	3,000	24,000	2,000

4. A company is manufacturing three products A, B, C. Cost of their manufacture is as follows

Nature of Cost per Unit	Product A [Rs]	Product B [Rs]	Product C [Rs]
Direct Material	3	4	5
Direct Labour	2	3	4
Selling Price	10	15	20
Output	1,000	2,000	3,000
Sales in units	1,000	2,000	3,000

The total overheads are Rs 6,000 of which Rs. 3,000 is fixed cost and rest is variable. It has been decided to apportion these fixed costs to the output in their respective ratio of sales. Assume that the whole output is sold. **Prepare a statement showing cost of each product according to Marginal Costing.**

5. Discuss the different methods of constructing a **Flexible Budget**. Given the following information **construct a Flexible Budget at 80% ,90% and 100% capacity**, under any one of the methods envisaged

Output: 1000 units at 100% capacity

Cost Parameter	Amount [Rs]
Fixed Cost	5,000
Variable Cost [Per unit]	3
Semi-variable [Per unit] [40% variable]	4

6. Define "Direct Labour Cost Variance".

A Group of Workers usually consist of 30 men, 15 women and 10 boys in a factory. They are paid a standard hourly rate of Rs. 6, Rs. 4 and Rs. 3 respectively. In the normal working week of 40 hours the gang is expected to produce 2,000 units of output.

In a certain week the gang consisted of 40 men, 10 women and 5 boys. Actual wages paid were at the rates of Rs. 5, Rs. 5 and Rs. 2 respectively. 1,600 units of output were produced. Calculate the **Labour Cost Variance, Labour Rate Variance and Labour Efficiency Variance**

7. Write Short Notes on:

- a. Functional Budgets.
- b. Master Budget
- c. Flexible Budget

8. State whether True or False. Give reasons.

- a. Operating Cost and Operation Cost mean the same.
- b. Management Accounting is part of Financial Accounting.
- c. There is no difference between a forecast and a budget.
- d. Material Yield Variance is a sub variance of Material Usage Variance.
- e. Semi-variable costs are ignored in Marginal Costing.

Part C

(2 X 10=20)

Answer any two questions

1. The cost of sale of Product A is made up as follows

Cost Parameter	Amount [Rs]
Materials used in Manufacturing	5,550
Materials used in Packing Materials	1,000
Materials used in Selling the Product	150
Materials used in the Factory	75
Materials used in Office	125
Labour required in Producing	1,000
Labour required for supervision of management-Factory	200
Expenses- Direct- Factory	500
Expenses- Indirect- Factory	100
Expenses-Office	125
Depreciation –Office Building and Equipment	75

Depreciation – Factory	175
Selling Expenses	350
Feight	500
Advertising	125

Assuming that all the products manufactured are sold, what should be the selling price to obtain a profit of 25% on selling price?

2. Lube Limited manufactures four [4] products A, B, C and D. Cost of their manufacture is as follows

Nature of Cost per Unit	Product A [Rs]	Product B [Rs]	Product C [Rs]	Product D [Rs]
Direct Material	3	4	5	6
Direct Labour	2	3	4	5
Selling Price	10	15	20	25
Output	1,000	2,000	2,000	3,000
Sales in units	1,000	1,800	2,000	2,700

The total overheads are Rs 7,500 of which Rs. 3,000 is fixed cost and rest is variable. It has been decided to apportion these fixed costs to the output in their respective ratio of sales. **Compute the amount of profit under Absorption Costing System**

3. Given the following information of calculate the amount of fixed, variable and semi variable costs for the month of January 2016 separately under i] Level of Expenses to Level of Output Method and ii] Range Method

Month [2015]	Production in Units	Semi Variable Expenses [Rs]
July	50	150
August	30	120
September	80	195
October	60	165
November	100	225
December	70	180

During the month of January 2015, the anticipated production is 40 units.

6. Define a "Cost Sheet". From the following information compute the Works Cost or Factory Cost.

Parameter	Amount (Rs)
Materials	60,000
Labour	40,000
Direct Expenses	10,000
Work in Progress, Opening Stock	5,000
Work in Progress, Closing Stock	8,000

I Semester 2015-16

Course: MBA A 111

Managerial and Cost Accounting [Closed Book]

Max. Marks 45

Weightage: 15 %

Max Time: 50 Mins

9/11/2015

Instructions to Candidates

1. Write legibly, briefly and summarize. Highlight main points

Part A

[5 X 1 = 5 Marks]

Answer all Questions

1. Define the term "Management Accounting"
2. State the components of the "Cost Accountancy"
3. Distinguish between "Cost Allocation" and "Cost Apportionment"
4. Distinguish "Cost Ascertainment" from "Cost Estimation"
5. Differentiate between "Budgeting" and "Budgetary Control"

Part B

[6 X 5 = 30 Marks]

1. Differentiate "Cost Control" from "Cost Reduction". Deliberate upon the objectives of Cost Accounting.
2. The word "Cost" appears to mean different under different settings and applications. In this context explain and illustrate the uses of the following cost concepts.
 - a. Incremental Costs
 - b. Opportunity Costs
 - c. Relevant Costs
3. Enumerate the various components of Total Cost
4. Define a "Budget" Classify budgets on the basis of
 - a. Traceability
 - b. Time
 - c. Purpose
5. Write short notes on
 - a. Functional Budgets
 - b. Flexible Budget

6. Define a "Cost Sheet". From the following information compute the Works Cost or Factory Cost

Parameter	Amount [Rs]
Materials	60,000
Labour	40,000
Direct Expenses	10,000
Factory Overheads	50,000
Work in Progress: Opening Stock	10,000
Work in Progress: Closing Stock	8,000

Part C

[1 X 10 = 10 Marks]

1. For the production of 10,000 Electrical Automatic Irons, the following are budgeted expenses.

Cost Parameter	Amount [Rs]
Direct Materials	60
Direct Labour	30
Variable Overheads	25
Fixed Overheads [Rs. 1,50,000]	15
Variable Expenses [Direct]	5
Selling Expenses [10% fixed]	5
Administrative Expenses [Rs. 50,000 rigid for all levels of operations]	5
Distribution Expenses [20% fixed]	5
Total Cost of Sale per unit	150

Prepare a Budget for production of 6,000, 7,000 and 8,000 irons showing distinctly variable cost and total costs
