NOVEMBER 2017 **65158/KDA2A**

Time : Three hours Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer any TEN questions.

1. What is meant by scrap?
2. What is meant by cost reduction?
3. What is equivalent production?
4. What is JIT costing?
5. Define the term Budget.
6. What do you mean by flexible budget?
7. What is Zero Base Budgeting?
8. What is Angle of Incidence?
9. What is mean by financial statement analysis?
10. What is ratio analysis?
11. What is meant by fund from operations?
12. What is the basic purpose of a cash flow statement?

PART B — (5 × 5 = 25 marks)

Answer any FIVE questions.

13. A publishing house purchases 40,000 units of a particular item per year at a unit cost of Rs. 20. The order cost per order is Rs. 50 and the inventory carrying cost is 25%. Find the optimal order quantity and the minimum total cost including the purchase cost.

14. The following expenses were incurred for the production of 1,500 units of a durable product :

	Rs.
Materials	3,50,000
Wages	1,20,000
Overheads	80,000

Normal wastage in the process is 2% of the input and the scrap value is Rs. 300 per unit. You are required to prepare process account, assuming there was no abnormal loss or gain.

15. A factory is currently working at 50% capacity and produces 10,000 units at a cost of Rs. 180 per units as per details below :

	Rs.
Materials	100
Labour	30
Factory overheads	30 (Rs. 12 fixed)
Administrative overheads	20 (Rs. 10 fixed)
Total	180

I M.Com - Advanced Cost and Management Accounting.

The current selling price is Rs. 200 per unit. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%.

Estimate profits of the factory at 60% and 80% working and offer your comments.

16.

	Rs.
Fixed overhead	1,20,000
Variable overhead	2,00,000
Direct wages	1,50,000
Direct materials	4,10,000
Sales	10,00,000

Calculate the Break-Even Point and the P/V ratio.

17. From the following particulars, calculate the value of debtors :

	Rs.
Total sales	6,00,000
Cash sales	2,00,000
Debtors velocity	30 days
Bills receivable	Rs. 13,333
No. of working days in year	360

18. From the following prepare a cash flow statement.

Balance sheet as on 31st December

Liabilities	2013	2014	Assets	2013	2014
Share capital	65,000	78,000	Fixed assets	83,000	86,000
Profit and Loss A/c	4,000	6,500	Stock-in-trade	29,000	37,000
Debentures	30,000	25,000	Cash	8,000	9,000
Creditors for goods	17,000	16,000	Prepaid Expenses	1,000	1,500
Bills payable	4,000	5,000	Goodwill	1,000	-
Outstanding expenses	2,000	3,000			
	1,22,000	1,33,500		1,22,000	1,33,500

19. You are management auditor of XYZ Co.Ltd., The managing director of the company seeks your advice on the following problems :

The XYZ Ltd. Produces a variety of products each is having a number of component parts. Product B takes 5 hours to produce on a machine No. 99 working at full capacity. B has a selling price of Rs. 50 and a marginal cost of Rs. 30 per unit. A-10 a component part could be made, on the same machine in 2 hours, for a managerial cost of Rs. 5 per unit. The suppliers price is Rs. 12.50 per unit. Should the company make or buy A-10?

Assume that machine hour is the limiting factor.

PART C — (4 × 10 = 40 marks)

Answer any FOUR questions.

20. What do you mean by installation of costing system? Explain the practical difficulties involved in installing such a system in a manufacturing concern.

21. The following figure relates to Honey Ltd., you are required to prepare a selling overhead budget.

	Rs.
Advertisements	= 5,000
Salaries of the sales department	= 7,000
Expenses of the sales department (fixed)	= 1,500
Salesmen remuneration	= 10,000

Commission @ 2% on sales effected

Carriage outwards – estimated @ 5% on sales

Agents commission – 8% on sales.

Sales during the period were estimated as follows :

Rs. 1,50,000 including agent's sales Rs. 50,000

Rs. 1,85,000 including agent's sales Rs. 35,000

Rs. 2,50,000 including agent's sales Rs. 40,000

22. The cost of an article at a capacity level of 10,000 units is given under 'A' below. For a variation in capacity above or below this level, the individual expenses vary as indicated in B below :

	A	B
	Rs.	Rs.
Material cost	50,000	(100% varying)
Labour	30,000	(100% varying)
Power	3,000	(80% varying)
Repairs and Maintenance	3,500	(80% varying)
Stores	2,000	(100% varying)
Inspection	800	(25% varying)
Depreciation	10,000	(100% varying)
Administrative overheads	3600	(25% varying)
Selling overheads	4,500	(50% varying)
Total	1,07,400	
Cost per unit	10.74	

Find out the unit cost of the product under each individual expense at production level of 8,000 units and 12,000 units.

23. A Ltd. Makes a product which passes through two processes before it is completed and transferred to finished stock. The following data is related to the month of December.

	Process I	Process II
	Rs.	Rs.
Direct materials	22,500	24,750
Direct wages	11,200	11,250
Overheads	6,800	4,500

Output of process I is transferred to process II at 25% profit on the transfer price. Output of process II is transferred to finished stock at 20% profit on the transfer price. The finished goods are sold for Rs. 1,40,000.

Prepare process cost accounts and finished stock account showing the profit element at each stage.

24. Prepare the balance sheet from the following ratios :

Current ratio	-	2.5
Total assets/Net worth	-	3.5
Sales/Fixed assets	-	6
Sales/Current assets	-	8
Sales/Inventory	-	15
Sales/Debtors	-	18
Annual sales	-	Rs. 25,00,000

25. The sales and profit during two years were as follows:

Year	Sales	Profit
	Rs.	Rs.
2014	1,50,000	20,000
2015	1,70,000	25,000

You are required to calculate :

(a) The P/V ratio

(b) The break-even point

(c) The sales required to earn a profit of Rs. 40,000

(d) The profit made when sales are Rs. 2,50,000

(e) The Margin of Safety at profit of Rs. 50,000 and

(f) Variable cost of two years.