STAGE - I

Paper 5: **Cost and Management Accounting (One Paper: 3 hours: 100 marks)**

Max. marks 100 Time allowed – 3 hrs.

Attempt Q. 1 & 5 others from the rest.

Q. 1 (a) Explain:

1) Standard Hour
2) Efficiency Ratio
3) Activity Ratio

(9 marks)

Q. 1 (b) The finished weight of an article which passes through 3 processes is 100 kg. Standard allowances for waste are:

Process I	- 2% of input weight
Process II	- 3% of input weight
Process III	- 1% of input weight

Standard material cost of raw material is Rs.10 per kg. The amount of scrap obtainable in each process is estimated at half of the total wastes, and recovery rates are Rs.1.00, Rs.1.50 & Rs.2.00 per kg. Respectively for process I, II & III.

Calculate the Standard material cost of the article. (11 marks)

Q.2 XY Ltd. maintains its accounts on a non-integrated basis. Both the Financial Accountant and the Cost Accountants have completed their accounts for the year ended 31st March, 04 and a Memorandum Account reconciling the tow profits has been prepared.

During the year production overheads have been absorbed in the Cost Accounts as a percentage of Direct Wages at 250%.

You are required to prepare a detailed statement showing how the profit as shown in the Cost Accounts was arrived at. Any difference not explained from the available data should be treated as being due to difference in Administration expenses charged in the two sets of accounts.

Manufacturing, Trading & Profit & Loss Account for the year ended 31st March, 04

(Rs. In 000's)

To Raw Material Op. Stock Add: Purchases Less: Cl. Stock	 51296 199334 250630 47382	 203248	By Trading A/c – Cost of Goods mfgd.	474772
To Direct Wages		80072		
To Prodn. O.H.		190680 474000		
To W.I.P. Op. Stock Less: Cl. Stock	 24496 23724	- - 772		
		474772		**474772**
To Finished Goods Op. Stock Cost of goods mfgd. Less: Cl. Stock	 63890 474772 538662 65702	 472960	By sales	625600
To Gross Profit c/d		152640		
		625600		**625600**
To Debenture interest		2000	By G.P. b/d	152640
To Disc. Allowed		2964	By Disc. Recd.	1790
To Distribution exp.		16926		
To Sales exp.		30562		

To Admn. exp.		53058		
To Net Profit		48920		
		154430		**154430**

The Memorandum A/c reconciling the profit shown in Financial and Cost Accounts for the year ended 31^{st} March, 04 is as follows:

(Rs. In 000's)

Profit as shown in Financial A/cs	48920	Profit as shown in Cost A/s	100300
Diff. in stock valuations		Diff. in stock valuations	
Opening Stock W.I.P. Finished Goods	 350 652	Opening Stock Raw Material	 320
Closing Stock Raw Material W.I.P.	 422 296	Closing Stock Finished Goods	 682
Sales Expenses	30562	Disc. Received	1790
Distribution exp.	16926		
Debenture interest	2000		
Disc. allowed	2964		
	103092		**103092**

(16 marks)

Q. 3 (a) The management of M/s A & Co. is perturbed by the results of Deptt. Z, one of the three deptts., each of which produces different product. The cost & other data for the past year are given below. The product of Deptt. Z has an assured market and no cost reduction is possible.

(Rs. In 000's)

Particulars	Departments			Amount
	X	Y	Z	
Sales	120000	60000	90000	270000
Direct Material	15000	7500	15000	37500
Direct Labour	6000	7500	24000	37500
Variable Overhead	15000	7500	30000	52500

Fixed Overhead	30000	15000	30000	75000
Total Cost	66000	37500	99000	202500

The analysis of Fixed Overhead shows the following position

Fixed Overhead identified with Deptts.	21000	12000	24000	57000
General Fixed OH				18000
				75000

Advise whether deptt. Z should be closed or not. (8 marks)

Q. 3 (b) Your Company estimates its sales to be 200000 units at Rs.30/- each during the year. The cost profile is as under:

Particulars	Variable Cost	Fixed Cost
Manufacturing	3000000	300000
Administration	200000	400000
Selling & Distribution	500000	1000000
	3700000	**1700000**

The management is considering a proposal for increasing profitability. On examination of the fixed costs, it is found that there is scope for reducing the fixed costs in selling by about 40%. The Marketing Manager feels that such a reduction may result in a fall of about 10% in sales. Evaluate the proposal. (8 marks)

Q. 4 (a) What are the similarities & dissimilarities between Budgetary Control & Standard Costing procedures ? (8 marks)

Q. 4 (b) Standard Costing & Budgetary Control methods are inter- related but not inter-dependent – Discuss. (8 marks)

Q. 5 What do you mean by inventory control ? Describe briefly various techniques of inventory control. (16 marks)

Q. 6 Superclass Co. Ltd. has 3 production departments X, Y & Z and 2 service deptts. A & B. The following estimated figures for a certain period have been made available:-

(Rs. in 000's)

Rent & Rates	10,000
Lighting & Electricity	1,200
Indirect Wages	3,000
Power	3,000
Depreciation of machinery	20,000
Other expenses & sundries	20,000

Following further details are available:-

	Total	X	Y	Z	A	B
Floor space (Sq.mtrs.)	10000	2000	2500	3000	2000	500
Light points (Nos.)	120	20	30	40	20	10
Direct Wages (Rs.000's)	20000	6000	4000	6000	3000	1000
Horse power of M/c	300	120	60	100	20	-
Cost of machinery (Rs.)	100000	24000	32000	40000	2000	2000
Working hrs.		4670	3020	3050	-	-

The expenses of the service departments A and B are to be allocated as follows:-

Department	X	Y	Z	A	B
A	20%	30%	40%	-	10%
B	40%	20%	30%	10%	-

You are required to calculate the overhead absorption rate per hour in respect of 3 production deptts.

What will be the total cost of an article with material cost of Rs.80000 and direct labour cost of Rs.40000, which passes through X, Y and Z for 2, 3 and 4 hours respectively. (16 marks)

Q. 7 Write short notes on any 3 of the following:-

a) Operation Costing

b) Responsibility Accounting

c) Angle of Incidence

d) Cost plus contracts **(16 marks)**

Q. 8 Mr. S. owns a fleet of taxis and the following information is available from the records maintained by them:

Number of taxis	10
Cost of each taxi	Rs.5,46,000
Salary of Manager	Rs.7000 p.m.
Salary of Accountant	Rs.5000 p.m.
Salary of cleaner	Rs.2000 p.m.
Salary of mechanic	Rs.4000 p.m.
Garage rent	Rs.6000 p.m.
Insurance premium	5% p.a.
Annual tax	Rs.9000 per taxi
Driver's salary	Rs.3500 p.m. per taxi
Annual repairs	Rs.10000 per taxi

Total life of a taxi is about 200000 kms. A taxi runs, in all, 3000 kms. In a month and 30% of this distance has to be run without any passenger. Petrol consumption is one litre for every 10 kms @ Rs.44.10 per litre. Oil and other sundries are Rs.105 per 100 kms.

Calculate the cost of running a taxi per k.m.