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SARDAR PATEL UNIVERSITY
M. COM (FIRST SEMESTER) (CBCS)
2015
TUESDAY, 28TH APRIL

SESSION: MORNING **TIME: 10.30 A.M. TO 01.30 P.M.**

COURSE TITLE: ACCOUNTING FOR MANAGERIAL DECISIONS **CODE NO. : PB01CCOM03**

Total Marks: 70

Instructions:

(1) Answers to the two sections are to be written separately in answer-book.
(2) Figures to the right indicate full marks of the questions.
(3) Show important calculations separately wherever necessary.
(4) Answers should be precise and to the point only.

SECTION - I

Q.1(A) What is costing and cost accounting? What are the main four aims of cost accounting? Discuss the elements of cost with examples. **[12]**

(B) Write a difference between cost centre and profit centre (any six points only). **[06]**

OR

Q.1(A) The following extract of costing information relates to a commodity 'A' for the year ending on 31-03-2015: **[12]**

		₹
Purchase of raw materials		1,32,000
Direct Wages		1,10,000
Rent, rates, insurance and works on cost		44,000
Carriage inward		1,584
Stock on 1-4-2014:		
Raw Materials		22,000
Finished products	(1,600 tons)	17,600
Stock on 31-3-2015:		
Raw Materials		24,464
Finished products	(3,200 tons)	---
Work-in-progress:		
1-4-2014		5,280
31-3-2015		17,600
Cost of factory supervision		8,800
Sales of finished products		3,30,000

Advertising, discounts allowed and selling cost 75 paise per ton sold. 25,600 tons of commodity were produced during the period (calculate paise upto two decimal point only):

You are required to prepare a cost statement showing the cost and profit.

(B) Distinguish between cost accounting and financial accounting (any six points only). **[06]**

Q.2 (A) What is marginal costing? What are the advantages (any five) and disadvantages (any five) of it? **[09]**

(B) Define the terms 'absorption cost' and absorption costing. Distinguish between absorption costing and marginal costing (any six points only). **[08]**

OR

Q.2 (A) The data below related to Ajanta Electronics Ltd. which makes and sells wall clocks: **[12]**

	March (Units)	April (Units)
Sales	5,000	10,000
Production	10,000	5,000
	₹	₹
Selling Price per unit	200	200
Variable production cost per unit	100	100
Fixed production incurred	2,00,000	2,00,000
Fixed production overhead cost per unit, being the pre-determined overhead absorption rate	20	20
Selling and distribution and administration cost (all fixed)	1,00,000	1,00,000

You are required to present comparative profit statements for each month using:

1. Absorption Costing
2. Marginal Costing

Explain the reasons for the difference in the profit under the two systems.

(B) Write a note on Key Factor. **[05]**

SECTION – II

Q.3 (A) What do you mean by Activity Based Costing (ABC)? What are the advantages (any four) and disadvantages (any four) of ABC? **[09]**

(B) What is Target Cost and Target Costing? What are the advantages of Target Costing? **[09]**

OR

Q.3 (A) XYZ Ltd. manufactures components for the MUL. The following budgeted information is available for three of their key components: **[12]**

Particulars	**X**	**Y**	**Z**
	Per Unit (₹)	Per Unit (₹)	Per Unit (₹)
Selling Price	400	366	350
Direct Material	100	80	70
Direct Labour	60	70	60
Units: Produced and Sold	10000	15000	18000

The total number of activities for each of the three products for the period is as follows:

Number of purchase requisitions	1200	1800	2000
Number of set ups	240	260	300
Machine hours (Total)	100	150	180

Overhead costs have been analyzed as follows:

Receiving/inspecting quality assurance	₹ 28,00,000
Production scheduling set up	₹ 24,00,000
Machine Cost	₹ 8,60,000

Calculate the budgeted profit per unit for each of the three products using Activity Based Costing.

(B) Write a note on Kaizen Costing. **[06]**

Q.4 (A) Define the term cost audit. Discuss its need. Describe the appointment procedure of a cost auditor. **[09]**

(B) Distinguish between cost audit and financial audit (any eight points only). **[08]**

<u>OR</u>

Q.4 (A) Discuss the Cost Audit in India. Also state five name of industries which are covered under the Cost Audit Report (Rules), 1996. **[09]**

(B) Write notes on: **[08]**

(1) Proprietary Audit

(2) Disqualification of a cost auditor

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