

SARDAR PATEL UNIVERSITY
M. COM (FIRST SEMESTER) (CBCS)

2016

THURSDAY, 21ST APRIL

SESSION: EVENING

TIME: 2.30 P.M. TO 5.30 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)** Define 'cost' and 'costing'. Explain why it is necessary to devise different methods of costing for different industries? Also describe briefly the methods of costing. (Give two suitable examples of industries and two cost units in each method of costing). [12]
- (B)** Write a difference between job costing and process costing (any six points only). [06]

OR

- Q.1 (A)** The following information is available from the books of Bajaj Co. manufacturing luxury ceiling fans. Production and sales during the year-ending 31st March 2016 was 1000 units. [12]

	₹
Direct Materials	4,00,000
Direct Wages	3,00,000
Factory Expenses	2,75,000
Administration Expenses	1,20,000
Selling Expenses	90,000
Sales	14,60,000

The following estimates have been made for 2016-17.

- (i) Production and Sales will be 1,500 Units.
- (ii) Materials prices per unit will increase by 25% but due to economy in consumption the cost per unit will reduce by 12%.
- (iii) The wage rate per unit will increase by 20%.
- (iv) Factory expenses of ₹ 1,00,000 are fixed. The remaining factory expenses will be in the same proportion to materials consumed and wages as in the previous year.
- (v) The total administration expenses will increase by 66 2/3%.
- (vi) Selling expenses will be ₹ 1,80,000.
- (vii) The profit desired is 20% on sales.

Prepare a cost statement showing maximum possible break-up of cost per unit, total cost, profit per unit and total profit for 2015-16 and 2016-17.

- (B)** Write a note on cost centre.

[06]

- Q.2 (A)** Define 'marginal cost' and 'marginal costing'. State the features of marginal costing. What are the advantages (any four) and disadvantages (any four) of marginal costing? [12]
- (B)** Distinguish between variable cost and fixed cost (any five points). [05]

OR

- Q.2 (A)** From the information given below, you are required to prepare profit statements for the year based on (i) absorption costing (ii) marginal costing and comment on the difference in profit figures you report for (i) and (ii) above, [12]

PEPSI Co. produces a single product which is sold in bottles. The normal annual level of operations, on which the production fixed overhead absorption, is based on 72,000 bottles. Data for the last accounting year were as follows:

Production	80,000 bottles
Sales	64,000 bottles
	Per Bottle ₹
Selling Price	30
Production Costs:	
Direct Materials	7
Direct Labour	6
Variable Overhead	4
Fixed Overhead (budgeted & incurred)	₹ 2,16,000
Selling and Administration Costs:	
Fixed	₹ 50,000
Variable	15% on sales revenue

There was no opening stock of finished goods and the work in progress stock may be assumed to be the same at the end of the year as it was at the beginning of the year.

- (B)** Write a note on Make or Buy Decision. [05]

SECTION – II

- Q.3 (A)** What is Activity Based Costing (ABC)? What are the advantages of it? [09]
- (B)** Define 'Target Cost' and 'Target Costing'. What are the benefits of Target Costing? [09]

OR

- Q.3 (A)** Anmol Limited has recently introduced an Activity Based Costing System. It manufactures three products, details of which are set out below: [12]

Particulars	Product A	Product B	Product C
Budgeted annual production (units)	100000	100000	50000
Batch size (units)	100	50	25
Machine set-ups per batch	3	4	6
Purchase orders per batch	2	1	1
Processing time per unit (minutes)	2	3	3

Three cost pools have been identified. Their budgeted costs for the year ending 31st March 2016 are as follows:

Machine set-ups costs	₹ 1,50,000
Purchasing of materials	₹ 70,000
Processing	₹ 80,000

Direct Cost are as under:

Particulars	Product A	Product B	Product C
Direct Material Cost (Per Unit)	3	2	3.5
Direct Labour Cost (Per Unit)	2	2.5	2.5

Prepare statement showing Cost Sheet as per Activity Based Costing.

(B) Write a note on Cost Driver. [06]

Q.4 (A) Define 'cost audit'. What are the qualifications and disqualifications of a cost auditor in India? [09]

(B) Write short notes on: [08]

(i) Proprietary Audit

(ii) Efficiency Audit

OR

Q.4 (A) Cost Audit in India. [09]

(B) Distinguish between cost audit and financial audit. [08]

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(3)