[2.9]

SARDAR PATEL UNIVERSITY
M. COM (FIRST SEMESTER) (CBCS)
2013
FRIDAY, 29TH NOVEMBER

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 in separate answer books.
2. Show necessary calculations wherever required.

SECTION - I

Q.1(A) What is cost and cost accounting? Define the term overheads and write a note on overheads with suitable examples. [12]

(B) Define the following terms in 5 to 10 lines with at least one example in each case. [06]

1. Direct Cost
2. Indirect Cost
3. Variable Cost
4. Fixed Cost
5. Direct Expense
6. Cost Unit

OR

Q.1(A) SONY Electronics Ltd. furnishes the following details of 200 CD players manufactured and sold for the year ended 31st March, 2013: [12]

	₹
Raw Material consumed	2,00,000
Direct Wages	3,00,000
Machine hours worked (Hours)	3,000
Machine hour rate (Per Hour)	20
Administration overheads	56,000
Selling expenses	28,000
Selling price per unit	4,000

The company plans to manufacture 500 CD players during the year 2013-14. It is estimated that:

(i) The raw material and direct wages cost per unit is going to remain same in the year 2013-14.

(ii) Works overhead will be recovered as a percentage of direct wages and administration and selling overheads as a percentage of works cost.

You are required to prepare:

(a) Cost Sheet for the year ended 31st March, 2013.

(b) Estimated cost and profit statement for 2013-14 showing the price at which each CD player would be sold so as to show a profit of 25% on selling price.

(B) Write a difference between financial accounting and cost accounting (only six points). [06]

Q.2 (A) Define the terms 'marginal cost' and 'marginal costing'. Enumerate five advantages and five limitations of marginal costing. **[12]**

(B) Distinguish between absorption costing and marginal costing (Any five points only). **[05]**

OR

Q.2 (A) The data below related to Philips Electronics Ltd. which makes and sells calculators: [12]

	March (Units)	April (Units)
Sales	5,000	10,000
Production	10,000	5,000
	₹	₹
Selling price per unit	100	100
Variable production cost per unit	50	50
Fixed production incurred	1,00,000	1,00,000
Fixed production overhead cost per unit, being the pre-determined overhead absorption rate	10	10
Selling and distribution and administration cost (all fixed)	50,000	50,000

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) What do you understand about the absorption costing? Enumerate three limitations of it. **[05]**

SECTION - II

Q.3 (A) What is Target Costing? What are the benefits of it (Any five points only)? **[06]**

(B) Define the concept of Activity Based Costing (ABC). Discuss any five benefits of ABC over Absorption Costing. **[06]**

(C) Explain the need of Kaizen Costing in the present-day context. **[06]**

OR

Q.3 (A) Relevant data relating to ABC company are: **[18]**

Particulars	Products			
	A	B	C	Total
Production and sales (units)	60,000	40,000	16,000	
Raw material usage in units	10	10	22	
Raw material costs	₹ 50	40	22	24,76,000
Machine hours	2.5	2	4	2,94,000
Direct labour costs	₹ 16	24	12	
No. of production runs	6	14	40	60
No. of deliveries/No. of orders delivered	18	6	40	64
No. of receipts/No. of orders	60	140	880	1080
No. of production orders	30	20	50	100

Overheads:

	₹
Set up	60,000
Machines	15,20,000
Receiving	8,70,000
Packing	5,00,000
Engineering	7,46,000

The company operates a JIT inventory policy and receives each component once per production run. You are required to compute the product cost using activity based costing.

Q.4 (A) What is Cost Audit? In what respects cost audit is different from financial audit (Any five points only)? **[06]**

(B) Discuss the qualifications and disqualifications of cost auditor in India. **[06]**

(C) What is the need of cost audit? Give five names of industries covered under Cost Audit (Report) Rules, 1996. **[05]**

OR

Q.4 (A) A toy manufacture earns an average net profit ₹ 12 per toy in a selling price of ₹ 60 per toy by producing and selling 60,000 toys at 60% of the potential capacity, composition of its cost of sale is: **[12]**

	₹
Direct material per toy	16
Direct wages per toy	04
Works overhead per toy	24 (50% fixed)
Sales overhead per toy	04 (25% variable)
Per unit	48

During the current year, it intends to produce the same number but anticipate that:

1. The fixed charge will go up by 10%
2. Rate of direct wages will increase by 20%
3. Rate of direct material will increase by 5%
4. Selling price can not be increased.

Under these circumstances the company obtains an export order for a further 20% of his capacity. What minimum price will you recommend for accepting the order to ensure the manufacturer an overall profit of ₹ 7,22,000?

Comments:

1. Should a manufacturer accept the 20% export order? Give your reasons.
2. Will your advice be different if the customer is a local one? Give your reasons.
3. Under which circumstances the manufacturer should accept/reject the additional order of 20% of his capacity?

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

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