Cost and Management Accounting

BBA – part III

Very Short Questions

1. What do you meant by “Element of Cost”?
2. Which bonus scheme is beneficial for managers and why?
3. Distinguish between Management Accounting and Financial Accounting?
4. What do you understand by Master Budget?
5. Define “Responsibility Accounting”?

Short Questions

1. What do you understand by Allocation Of Overhead? How it is different from apportionment of overhead?
2. The annual demand for an item is ₹3,200 units. The unit cost ₹6 and inventory carrying cost is 25% per annum. If the cost of an order is $ 150, determine:
   (1) EOQ (2) Number of orders per year (3) Time between two consecutive orders
3. The following particulars related to the production of one unit of a product:

   Actual

   Standard

Hours to produce one unit	6 hours	8 hours
Wages Rate per hour	₹3	₹2
Total Labour cost	₹18	₹16

Find out labour cost variance and its components.

4. What are the objectives of management accounting?
5. Discuss the usefulness of Activity Based Costing.

Long Questions:

1.

V. Limited is the manufacturer of picture operations during the year 2011-12 are as follow

Ordering cost	₹ 100 per
Inventory carrying cost	20% per
Cost per tube	₹ 520
Minimum usage	50 tubes
Maximum usage	200 tubes
Normal usage	100 tubes
Lead time to supply	6-8 weeks

You are required to find out following inform

(1) Economic order quantity.

(2) If the supplier is ready to supply the requi units at a discount of ₹ 5 per unit, is it

(3) Re-order level.

(4) Maximum level of stock.

(5) Minimum level of stock.

2.

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. Record the following transactions in the Store Ledg

2017 April 1	: Opening balance 140 units @
2017 April 15	: Receipt 250 units costing ₹ 3
2017 May 21	: Receipt 100 units costing ₹ 1
2017 June 7	: Issue 120 units
2017 July 10	: Receipt 60 units @ ₹ 14 per
2017 August 4	: Issue 150 units
2017 Sept. 7	: Receipt 75 units costing ₹ 93
2017 October 3	: Issue 230 units
2017 November 5	: Receipt 240 units costing ₹ 3
2017 December 18	: Issue 120 units

The issues on June 7, August 4. October 3 and Dec
LIFO. FIFO, Simple Average and Weighted Averag

3.

A worker takes 9 hours to complete a job on daily
payment by results. His day rate is ₹ 1.50 per hour, t
₹ 20.00 and the overheads are recovered at 200% of th
factory cost of the product under :

(i) Piece Work Plan, (ii) Rowan Premium Plan,
(50%).

4.

Illustration 7 :

The ABC Company has the following
indirect charges on 31st March, 2012 :

Particulars	Total	Prod De
		Machine Shop
Allocated Overheads :	₹	₹
Indirect Labour	14,650	4,000
Maintenance	5,020	1,800
Material Misc. Supplies	1,750	400
Superintendent's Salary	4,000	
Cost of Payroll Salaries	10,000	
Unallocated Overheads :		
Power	8,000	
Rent	12,000	
Fuel and Heat	6,000	
Insurance	1,000	
Municipal Taxes	2,000	
Depreciation	1,00,000	
Total	1,64,420	6,200

The following data were compiled by me
previous year :

Particulars	Floor Space	Radiator Section
Machine shop	2,000 sq.ft.	45
Packing	800 sq.ft.	90

(a) Prepare an overhead distribution sheet with s
computation and basis of distribution includi
department expenses to the production depar

(b) Determine the Service department distrib
continued distribution. Carry through 3 cycl
the nearest rupee.

5.

Calculate Machine Hour Rate for recovery of ov
following data. There is a group of 4 similar machin

Original Cost of 4 machines ₹ 76,800, deprec
Straight line method; maintenance cost average ₹ 8 pe
machines.

Power 25 paise per running hour (per machine)
group ₹ 640 per month. Allocation of building deprec
area basis ₹ 80 per month.

Share of Manufacturing overheads ₹ 240 per m

Normal working days in the year 300; Normal
hours. Each machine remained idle for 20% of its n

6.

From the following particulars, you are requirec
showing : (a) The cost of materials consumed; (b
Cost; (d) Total Cost; (e) The percentage of Wor
wages; and (f) The percentage of general on cost t

Stock of finished goods on 1st April, 2014
Stock of Raw Materials on 1st April, 2014
Purchase of Raw Materials
Productive Wages
Sale of finished goods
Stock of finished goods on 31st March, 2015
Stock of Raw Materials on 31st March, 2015
Works expenses
Office and general expenses

The company is about to send a tender for a l
department estimated that the materials required wou
wages to workers would be ₹ 31,200. The tender is t
of 20% on the cost price. What would be the amou
based on the above percentages ?

[**Answer** : (a) ₹ 7,56,920; (b) ₹ 12,73,800; (c) ₹ 14,
(e) 25 per cent; (f) 5 per cent and a
₹ 1,14,660.]

7.

S. V. Limited manufactures a standard produc

Material A : 60 % at ₹ 20 per kg.

Material B : 40 % at ₹ 10 per kg.

Normal loss in production is 20 % of input d

standard mix was changed. Actual results for Marc

Material A : 105 kg. at ₹ 20 per kg.

Material B : 95 kg. at ₹ 9 per kg.

Input 200 kg. ; Loss 35 kg. ; Output 165 kg.

Calculate : (i) Material Price Variance;

(iii) Material Mix Variance; (iv) Material Yield Va

8.

Illustra...

Calculate (i) Labour Cost Variance, (ii) Labour Ra... Efficiency Variance, (iv) Labour Mix Variance, and (v) L... from the following :

Standard :

Workman A : 20 hours @ ₹ 3

Workman B : 20 hours @ ₹ 7

40 hours

Actual :

Workman A : 30 hours @ ₹ 4

Workman B : 25 hours @ ₹ 6

55 hours

In actual production, 3 hours (included in above) ... of machine breakdown.

9.

Illus.

The flexible budget at 80% capacity of Bajrang Limit
Production in units

Sales Value
Material Cost
Labour Cost
Overhead Cost :
Variable
Semi-variable
Fixed

A foreign offer for additional 3,750 units sales is ava
₹ 14 each. If the semi-variable overheads increase only by ₹
production, will it be advisable to accept the offer ?

10.

The following are product data for next year budget.

आगामी वर्ष बजट के लिए उत्पाद आँकड़े निम्नलिखित हैं।

Activity	Cost Driver	Cost Driver Volume/year
Purchasing	Purchase orders	1500
Setting	Batches Produced	2800
Material handling	Material movements	8000
Inspection	Batches Produced	2800
Machinery costs	Machine hours	50,000

Purchase orders	25
Output	15,000 units
Production batch size	100 units
Material movements per batch	6
Machine hour per unit	0.1

Required / अपेक्षित है :

(i) Calculated the budgeted overhead costs using activity based c

क्रिया आधारित परिव्यांकन का प्रयोग करते हुए बजटेड उपरिव्यय लागत की ग

(ii) Calculate the budgeted overhead costs using absorption costir

अवशोषण परिव्यांकन का प्रयोग करते हुए बजटेड उपरिव्यय लागत ज्ञात कीजि