



Institute of Management
JK Lakshmipat University
Jaipur
END TERM EXAMINATION



MBA 2015-2017 Sem-II
MM: 50 Marks

Course: Cost & Management Accounting
Time: 3 Hours
Subject code: MBA206

Instructions: Attempt any three questions from Section A. Section B is compulsory.

Section A
Each question carries 10 marks each.

Q1. M/s Komal Co Ltd, operating at normal capacity produces 1, 00,000 units of a product which supplies the following particulars:

	₹ per unit
Direct Material	32
Direct Labour	12
Variable overhead	16
Fixed overhead	15

	75

Sale price per unit ₹ 100.

In addition, selling and distribution cost ₹ 5 per unit is incurred for selling each unit of product. As the company faces recession in the market, the Marketing department desires to produce only 5000 units.

But, Management is of the opinion to shut down the plant.

If the plant is shutdown the loss due to fixed cost could be avoided for ₹ 4,00,000, but the committed unavoidable cost would be estimated of ₹ 2,95,000.

You are required to advice whether the plant should be shut down or not.

Q2. The Standard cost of a Chemical mixture is:

35% of material A at ₹ 25 per kg and 65% of material B at ₹ 36 per kg.

A Standard loss of 5% is expected in production.

During a period, the actual material used:

125kgs Material A at a cost ₹ 27 per kg.

275 kgs material B at a cost of ₹ 34 per kg.

The weight produced is 365 kgs. of good product. Calculate:-

- Material price variance
- Material mix variance
- Material yield variance
- Material cost variance

Q3. Write notes on

- a) Features, merits and demerits of Zero Based Budgeting
- b) Characteristics and Classification of budgets

Q4. The finishing shop of a company employs 50 direct workers. Each worker is paid ₹300 as wages per week of 40 hours. When necessary, overtime is worked up to a maximum of 15 hours per week per worker at time rate plus one-half as premium. The current output on an average is 6 units per man hour which may be regarded as standard output. If bonus scheme is introduced, it is expected that the output will increase to 8 units per man hour.

The company is considering introduction of either Halsey Scheme or Rowan Scheme of Wage Incentive system. The budgeted weekly output is 15,000 units. The selling price is ₹8 per unit and the direct Material Cost is ₹5 per unit. The variable overheads amount to ₹0.40 per direct labour hour and the fixed overhead is ₹6,000 per week.

Prepare a Statement to show the effect on the Company's weekly Profit of the proposal to introduce (a) Halsey Scheme, and (b) Rowan Scheme

Q5.

- i. Fixed overhead ₹2,40,000; Variable cost per unit ₹15 and selling price per unit ₹30. Find out (a) Break even sales units and (b) if the selling price is reduced by 10%, what will be the new break-even point.
- ii. Profit ₹200, Sales ₹2,000 and Variable cost 75% of sales, then find the break-even sales and what would be the sales volume to realize a profit of ₹500.
- iii. Break even volume ₹8,000 and Fixed costs ₹3,200. Find profit when sales are ₹10,000.
- iv. XYZ Co. Ltd. is having 400 workers at the beginning of the year and 500 workers at the end of the year. During the year 20 workers were discharged and 15 workers left the company. Find out the Labor Turnover rate under 'separation method'.
- v. The annual demand of a certain product is 8000 units, ordering cost per order is ₹40, carrying cost is 10% of average inventory value and purchase cost is ₹10 per unit. Calculate the EOQ for the product

Section B

Q6. (A) Gupta Enterprises is operating at 60% capacity level producing and selling 60,000 units @ Rs. 100 per unit. Other relevant particulars are given below:

Cost per units (Rs.)	
Material	40
Conversion Cost (variable)	20
Dealer's margin is (10% of sales)	10

Fixed cost for the period is Rs. 12,00,000. As there is a stiff competition, it is not possible to sell all the products at the existing cost price structure. The following alternative

proposals are considered: First proposal (i) Decrease selling price by 20%. Second Proposal (ii) Increase dealers' margin from 10% to 20%.

Select the better alternative.

- Also calculate the sales volume required to maintain the same amount of profit under the alternative, which is considered better assuming that volume of sales will not be a limiting factor under such an alternative. Also assume that fixed cost will remain constant. (12 Marks)

Q6(B) Delux company Produces a popular candy bar called Shiva. The candy is produced in India and exported to the Unites States. Recently, the company adopted the following standards for one 5 ounce bar of the candy:

Direct materials (5.5 ounces @ Rs. 40) = Rs.220

Direct Labour (0.05 hr @ Rs. 26) = Rs. 1.30

Standard Prime Cost

Rs. 221.30

During the first week of operation, the company experienced the following actual results:

Bars produced: 1,00,000

Ounces of direct material purchased: 5,70,000 ounces at Rs. 45 per ounces

There are no beginning or ending inventories of direct materials

direct labour hour: 5200 hrs at Rs. 25.50

Compute price and usage variances for material.

Compute the rate and efficiency variances for direct labour. (8 Marks)

