Roll No. | | | | | | | | | | | | | **Total No. of Pages: 05**

Total No. of Questions: 10

M.Com. (Sem. – 2)

MANAGEMENT AND COST ACCOUNTING

Subject Code: MCOP-202-18

M Code: 75932

Date of Examination : 02-01-2023

Time: 3 Hrs. **Max. Marks: 60**

INSTRUCTIONS TO CANDIDATES:

1. **SECTION-A is COMPULSORY consisting of EIGHT questions carrying TWO marks each.**
2. **SECTIONS-B consists of FOUR Sub-sections : Units-I, II, III & IV. Student has to attempt any ONE question from each Sub-section carrying EIGHT marks each.**
3. **SECTION-C is COMPULSORY, consists of a Case Study carrying TWELVE marks.**

SECTION-A

1. Write briefly:

   a) Explain the term factory cost incurred.

   b) Distinguish between direct and indirect cost.

   c) Explain the term cost centres.

   d) What do you mean by Economic Ordering Quantity?

   e) Write short note on zero base budgeting.

   f) From the following information, you are required to calculate fund from operation or funds lost from operation

   Net Profit Rs. 50,000

   Goodwill written off Rs. 10000

   Depreciation on fixed assets Rs. 15,000

   Profit on sale of Machinery Rs. 5000

   Increase in current assets Rs. 12,000

   Decrease in current liabilities Rs. 6000

g) Briefly explain the relationship between cost accounting and management accounting.

h) Explain the term management reporting.

SECTION-B

UNIT-I

2. "Cost accounting is unnecessary luxury for business establishments." Do youagree with this statement? Discuss.

3. Jackson Limited produces a product which has a monthly demand of 4000units. The product requires a component X which purchases at Rs. 20. Forevery finished product, one unit of component is required. The Ordering cost isRs. 120 per order and holding cost is 10 % per annum.You are required to calculate :

   a) Economic ordering quantity.

   b) If the minimum lot size to be supplied is 4000 units, what is the extracost, the company has to incur.

   c) What is the minimum carrying cost, the company has to incur.

UNIT-II

4. The following information are pertaining to years 2018 and 2019.

	2018	2019
Sales in Rs.	20,00,000	30,00,000
Profit in Rs.	5,00,000	7,50,000

   You are required to calculate :

   a) Profit Volume Ratio

   b) The variable and fixed cost for the year 2018 and 2019.

   c) The Break Even Sales in Indian Rupees

   d) What will be the sales volume of year 2020, If desired profit for the year Rs. 12,00,000?

5. The standard materials cost to produce a tonne of chemical X is:

   300kg of material A @ Rs. 10 per Kg.

   400kg of material B @ Rs. 5 per Kg.

500kg of material C @ Rs. 6 per Kg.

During a period, 100 tonnes of mixture X was produces from the uses of:

35 tonnes of material A at a cost of Rs. 9000 per tonne.

42 tonnes of material B at a cost of Rs. 6000 per tonne.

53 tonnes of material C at a cost of Rs. 7000 per tonne.

You are required to calculate price, usage and max variances of material.

UNIT-III

6. Management accounting but presentation and analysis of accounting information for specific purpose. List out the purposes for which such analysis may be undertaken.
7. Explain the term management accounting. Discuss the similarities and differences among cost accounting and management accounting.

UNIT-IV

8. The following is the balance sheet of Jaya Steel India Ltd.

Liabilities	**01-04-2018**	**31-03-2019**	**Assets**	**01-04-2018**	**31-03-2019**
	(Rs)	**(Rs)**		**(Rs)**	**(Rs)**
Equity Share capital	14,80,000	14,90,000	Building	7,50,000	9,50,000
Preference share Capital	2,00,000	3,00,000	Goodwill	2,00,000	1,50,000
Profit and Loss Account	2,50,000	4,00,000	Land	2,00,000	5,50,000
Long Tem Debt	3,00,000	2,50,000	Machinery	8,00,000	8,60,000
Creditors	3,60,000	4,10,000	Stock	2,50,000	2,20,000
Bills Payable		3,00,000	Debtors	3,50,000	3,84,000
			Cash	40,000	36,000
Total	**26,90,000**	**31,50,000**		**26,90,000**	**31,50,000**

Depreciation on Machinery Rs. 80,000
Depreciation on Building Rs. 75,000
Dividend Paid Rs. 1,50,000
You are required to prepare cash flow statement and comment on the operating, investing and financial health of company.

9. Following information are taken from the books of Orbit Co.ltd

Cash in hand	Rs.1,50,000
Sundry debtors	Rs. 2,40,000
Stock	Rs. 300,000
Cash at bank	Rs. 2,00,000
Current Liabilities	Rs. 600,000
Gross profit	Rs. 7,50,000
Office and Administration expenses	Rs. 100,000
Selling Expenses	Rs. 1,50,000
Interest on Long Term Debt	Rs. 1,50,000
Tax on profit	50%
Net Sales	Rs. 10,00,000
10% Long Term Debt	Rs.15,00,000
Equity Capital (250,000 shares @ Rs. 10 each)	Rs. 25,00,000
Reserves & surpluses	Rs. 5,00,000

You are required to calculate following ratios and comment on profitability, liquidity and long term financial health of company:

a) Current ratio

b) Liquid Ratio

c) Gross Profit ratio

d) Net Profit Ratio

e) Returns on Common Equity

f) Debt Equity Ratio

g) Stock Turnover Ratio

h) Debtor Turnover Ratio

SECTION-C

10. Read the case study carefully and answer the questions given at the end.

Excellent Engineering was one of the prime engineering companies of India. AG, the Finance Director, had introduced many new ideas on the use of management accounting for achieving the strategic objectives of the company. The submersible pump division was one of its star units. The strategic goal of the division was to capture a major chunk of the domestic and South-East Asian and African markets. AG had therefore worked out a scheme in consultation with the

Divisional Manager, JS, wherein bonus would not be based on the profits of the division but more on the long-term objectives. Bonus would be paid if the cost of quality was less than 10 per cent of the revenue, customercomplaints was less than 4 per cent of the number of sales transactions, and deliverywas on time on more than 92 per cent of occasions. They defined 'cost of quality' as a total of inspection costs, cost of warranty liability, cost of product testing, cost of scrap, and cost of design engineering. AG had recently recruited GN, an MBA from the Badami Institute of Management, whom he asked to work out these parameters for the division for the first month of the scheme. GN used the figures available in the accounting and production planning records. of the division. He did not, however, depend solely on the number of complaints on record in their factory. He interviewed all the customers and used his findings in his report. His numbers for the month in consideration were as follows:

- **Based on data collected from JS's department:**

Sales: '50,00,000
Inspection: '45,000
Warranty liability: ' 1,30,000
Production testing: '1,05,000
Scrap: '1,15,000
Design engineering: '1,00,000

- **Data collected by GN Percentage customer complaints**

5 per cent On time delivery.
93 per cent

As directed by AG, GN gave a copy of the report to both AG and JS. JS was utterly disappointed with the report and thought that GN had gone out of the way to ferret out complaints from the customers. 'If the customers had a genuine complaint, they would come out on their own. Why should we instigate them to do so?', he said. AG thought that there was a point: in what JS said. GN, however, felt that the complaints were genuine and the customers were very angry with some of the supplies. He said that the warranty liability is an indication of the customer dissatisfaction. Confiding in AG, GN said that he felt that the other quality cost data had also been doctored. He wanted permission to re-check them from the basic account records. AG did not want to do anything like that. 'We will introduce mistrust into the system, which is the last thing I want to do,' said AG.

Questions

1. What is the total cost of quality as percentage of sales?
2. What should GN do now-modify the report or persist in his findings?

NOTE : Disclosure of Identity by writing Mobile No. or Marking of passing request on any paper of Answer Sheet will lead to UMC against the Student.