

MGT 212: Cost and Management Accounting

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt All Questions

Brief Answer Questions

[10 x 2 = 20]

1. State any three objectives of cost accounting.
2. Define management accounting.
3. What is value analysis?
4. Mention any two causes of labor turnover.
5. Write any two limitations of volume based costing system.
6. A manufacturing company provides you the following information of material X:
 - Total cost at economic order quantity Rs. 2000
 - Ordering cost per order Rs. 50
 - Cost per unit of material Rs. 20
 - Carrying cost is 10% of inventory value**Required:** Annual requirement of material X
7. Manakamana Ltd. is working now at its annual normal capacity of 20000 units. The total cost per unit is Rs. 100. The annual fixed costs are Rs. 50,000.
Required: Total cost at 60% of the normal capacity.
8. Following particulars of a worker are provided:

• Standard time allowed	15 hours
• Actual time spent	12 hours
• Wage rate per hour	Rs.20

Required: Effective wages under Rowan Premium Plan
9. The following information of a manufacturing company are provided:
 - Annual requirement 36000 units
 - Safety stock 10 days consumption
 - Re-order period is 5 days**Required:** Re-order level
10. The following particulars are extracted from the records of a company:
 - Beginning and ending number of employees were 200 and 250 respectively
 - Number of employees quit and discharged was 25 and 10 respectively
 - Employees replaced during the period were 30**Required:** Labour Turnover Rate under Separation Method

Descriptive Questions Answer

[5 x 10 = 50]

11. PQ Ltd is a manufacturing company having three production departments A, B and C and two service departments X and Y. The operating conditions of the departments are given below:

Particulars	Production Departments			Service Departments	
	A	B	C	X	Y
Direct Materials (Rs.)	1000	2000	4000	2000	1000
Direct Wages (Rs.)	5000	2000	3000	1000	2000
Area in sq. ft.	500	250	500	250	500
Capital value of assets (rs. in Lakhs)	20	40	20	10	10
Machine hours	1000	2000	4000	1000	1000
Horse Power of Machine	50	40	20	15	25
Service rendered by Service departments	50%	30%	20%	-	-

The overheads extracted from the books of the company are as under:

Factory Rent	Rs. 4000
Power	Rs. 2500
Depreciation	Rs. 1000
Other overheads	Rs. 9000

Required: a) A statement showing overheads distribution to departments

b) Machine hour rate of the production departments.

(8 + 2 = 10)

12. Bright manufacturing company with normal capacity of 25000 units provides the following particulars for the year ending:

Production units	30000
Sales units	35000
Variable manufacturing cost per unit	Rs. 6
Fixed manufacturing cost per unit	Rs. 3
Closing stock units	2500
Variable selling and administrative cost per unit	Rs. 2
Fixed selling and administrative cost	Rs. 45000
Selling price per unit	Rs. 15

Required: i) Income statement under external reporting system

ii) Reconciliation statements showing the profit of internal reporting

(7 + 3 = 10)

13. The sales revenue and earned profit of a special industry during two years were as follows:

Year	Sales Revenue (Rs)	Profit (Rs)
2011	1000000	60000
2012	120000	80000

Required: i) Profit volume ratio

ii) Fixed cost

iii) Brake even point (Rs)

iv) Required sales amount to earn desired profit of Rs.25000 after tax. The corporate tax rate is 20%

v) Profit when sales are Rs. 800000

(2 + 2 + 2 + 2 + 2 = 10)

14. a) Nepal transport company provides you the following information for the month of Baishakh:

Cost of truck	Rs. 2500000	Kilometer runs in Baishakh	10000 kms
Salary and wages	Rs. 18000	Diesel and lubricants	Rs. 10 per km
Repairs per month	Rs. 6000	Garage rent	Rs. 2000 per month
Insurance and road tax	Rs. 48000 per annum		
Depreciation @ 10% per year under SLM			

Required: i) Total cost showing standing and running charges

ii) Profit if the company charges 30% profit on cost (4 + 1 = 5)

b) Distinguish between Joint product and By-product with suitable example. (5)

15. a) The following information is provided to you relating to a product M:

Estimated sales	120,000 units
Closing stock	10% of sales
Opening stock	24,000 units

For making product M two types of materials are used – material A and material B.

Other details are as follows:

- 2 units of materials A and 3 units of material B are required to produce one unit of product M.
- Closing stock for two types of material are 10% of each material needed for current production.
- The opening stock of materials was 30,000 units and 26,400 units for material A and material B respectively.
- The purchase price of materials is Rs. 10 and Rs. 15 per unit for material A and material B respectively.

Required:

- Production Budget, Material Consumption Budget and Material Purchase Budget (2 + 1 + 2 = 5)
- What are the preliminaries to establish standard costing system? Explain briefly. (5)

Analytical Questions Answer

[2 x 15 = 30]

16. The following details are given to you:

Particulars	Process A	Process B	Process C
Raw Material used 10000 kgs	Rs. 20000		
Indirect Material	Rs. 10000	Rs. 15000	Rs. 30000
Labour Cost	Rs. 10000	Rs. 20000	Rs. 40000
Factory Overhead 50% of labour			
Miscellaneous Expenses	Rs. 7000	Rs. 9400	Rs. 13090
Actual output kgs	8500	6100	4660
Output transferred to warehouse	20%	20%	100%
Scrap on input	20%	10%	5%
Sale of scrap per kg.	Rs. 2	Rs. 5	Rs. 10

- Required:**
- Process Accounts
 - Abnormal Gain Account
 - Normal Loss Account

(11 + 2 + 2 = 15)

17. A company adopts standard cost practices for its direct labour cost and factory overhead cost. The activities level and cost per direct labour hour are summarized below:

Activities level in DLH	25000	50000
<u>Direct labour cost (Rs.)</u>	(Rs.)	(Rs.)
Skilled labour No. 4 @ Re. 1 per hour	100,000	200,000
Unskilled labour No. 6 @ Re. 0.50 per hour	<u>75,000</u>	<u>150,000</u>
	175,000	350,000
<u>Factory overheads (Rs.)</u>	(Rs.)	(Rs.)
Indirect material	25,000	50,000
Indirect labour	37,500	75,000
Supervision cost	22,500	35,000
Heat, light and power	17,500	30,000
Depreciation	53,000	53,000
Rent and Taxes	12,000	12,000
<u>Other data:</u>		
Normal capacity	40,000	DLH
Hours worked	42,000	DLH
Actual hours produced	38,000	DLH
Actual cost incurred	Rs. 203,000	
Actual wages paid:		
Skilled labour No. 5 @ Rs. 1.10 per hour	Rs. 231,000	
Unskilled labour No. 5 @ Rs. 0.40 per hour	<u>Rs. 84,000</u>	
	Rs. 315,000	

- Required:**
- i) Direct labour cost and factory overhead budget for the activity level of 40,000 DLH.
 - ii) Analysis showing direct labour efficiency, mix, rate and cost variances.
 - iii) Three overhead variances i.e. capacity, efficiency and spending. (5 + 5 + 5)

Chapter 1 Conceptual Foundation

1. Define cost accounting. [2][2069][3][2070]
2. State any five objectives of cost accounting. [2][2075][2073][5][2069]
3. Write about the limitations of cost accounting. [5][2068]
4. Write in brief about the importance of cost accounting. [2066][5]
5. Write in brief the advantages of cost accounting. [2073 old] [5][2070][2067]
6. Define management accounting. Mention any three importance of management accounting. [5][2069]
7. State any two objectives of management accounting. [2] [2076][2072]
8. Write in short the objectives of Management Accounting. [5][2073 old]
9. Write about the limitations of management accounting. [5][2063]
10. Mention any five advantages of management accounting. [2][2075][5][2070]
11. Write in brief any two limitations of financial accounting. [2][2074]
12. "Management accounting is the art of presenting to management such figures, in terms of money or other units and assisting management to do its job." Discuss. [10][2074]
13. "Management accounting provides necessary information for decision making" Give your views. [5][2074 old]
14. Distinguish between cost accounting and management accounting. [2074 old][2072][5]
15. "Management accounting is concern with accounting information that is used to management". Discuss. [10][2072]
16. The objectives of management accounting are far wider than that of financial accounting explain. [5][2072 old]
17. "Cost Accounting is an unnecessary luxury for Business Establishment." Do you agree with this statement? Justify? [5][2071]
18. " Management Accountancy is concerned with Accounting information" Give your view. [5][2071 old]
19. "Management accounting uses various tools and techniques to provide business information for taking correct decision." Comment. [2068][5]
20. "Management accounting is concerned with accounting information that is useful to management for decision making." How would you justify this statement? [5][2067]

Chapter 2 Cost Concept and Segregation

1. What do you mean by variable cost with examples? [2][2076][2074 old][3][2074]
2. How does variable cost differ with semi variable cost? [3][2074]
3. Write the meaning of cost and differentiate between direct and indirect costs with suitable examples. [2+3][2067]
4. Briefly explain the classification of cost on the basis of behavior. [2][2075]
5. Distinguish between fixed overhead and variable overhead. [2][2074]
6. Write the meaning of fixed overhead cost. Distinguish it from variable overhead cost. With examples. [2+3][2069]
7. Explain the meaning of segregation of cost. Also write down the different methods of segregation with suitable examples. [3+7=10][2073]
8. Explain in short classification of cost on the basis of elements. [5][2073 old]
9. Write short notes on i. fixed cost and Opportunity cost. [2.5+2.5][202 old]
10. What is relevant and irrelevant cost? Explain with examples. [3+2][2071]
11. Define fixed and variable cost giving two examples of each. [2.5 +2.5][2070]
12. Differentiate between fixed cost and variable cost with examples. [3][2065]
13. Write in brief about controllable and uncontrollable cost. [2.5+2.5][2067]
14. Define fixed cost. Differentiate between fixed cost and variable cost with suitable

examples. [2+3][2065]

15. Make notes on segregation of costs and write in brief about any one method of segregation of cost. [2.5+2.5][2064]
16. What do you mean by cost? Differentiate between direct cost and indirect cost. [2+3][2063]
- 17.

