Sem-II

INDIAN MARITIME UNIVERSITY

(A Central University, Govt. of India)

End Semester Examinations –June/July 2019

M.B.A (Port and Shipping Management) /
(International Trade & Logistics Management)

Cost & Management Accounting

(PG22T2202 / PG21T2202)

Date: 11-06-2019 | **Max Marks :60**

Time: 3 Hrs | **Pass Marks: 30**

PART – A

(Answer ALL the Questions)

(12 x 1 Mark = 12 Marks)

1. Long Term Solvency is indicated by
   a. Current Ratio
   b. Debt / Equity Ratio
   c. Working Capital Ratio
   d. Net Profit Ratio

2. Fixed cost is divided by P/V ratio to determine
   a. cost margin
   b. fixed margin
   c. revenue margin
   d. break even sales value

3. Total Cost of Sales does not include
   a. profit
   b. prime cost
   c. factory overheads
   d. administration overheads

4. Profit is divided by P/V ratio to determine
   a. fixed cost
   b. variable cost
   c. margin of safety
   d. contribution

5. Management Accounting involves
   a. preparation of financial statements
   b. analysis & interpretation of data for decision making
   c. maintaining statutory records
   d. classification of transactions

6. Fixed cost per unit decreases when
   a. production volume decreases
   b. production volume increases
   c. variable cost per unit increases
   d. variable cost per unit decreases

7. The term current asset does not include
   a. payment of advances
   b. account receivables
   c. trading stocks
   d. preliminary expenses

8. Period costs means
   a. fixed cost
   b. variable cost
   c. prime cost
   d. historical cost

9. In Activity Based Costing (ABC) , costs are accumulated by
   a. cost objects
   b cost benefit analysis
   c. cost pool
   d. cost center(s)

10. When material cost variance is Rs 400(Adverse) and material price variance is Rs 300 (Favorable), material usage variance will be
   a. Rs 100 (Adverse)
   b. Rs 100 (Favorable)
   c. Rs 700 (Favorable)
   d. Rs 700 (Adverse)

11. Any unit in an organization to which both costs and revenues are assigned is called
    a. cost centre
    b. profit centre
    c. cost unit
    d. cost object

12. Direct Labor efficiency variance is computed by multiplying the
    a. Actual rate with the difference between standard time and actual time
    b. Standard rate with the difference between standard time for actual output and actual time
    c. Standard rate with the difference between standard time for standard output and actual time
    d. Standard rate with the difference between standard time for actual output and standard time

PART – B

Answer any FIVE questions from the following.

All questions carry equal marks.

5 x 4 Marks = 20 Marks

13. State the main objectives of installing a Cost Accounting system in a manufacturing organization.

14.(a) Briefly discuss the main differences between Standard Costing and Budgetary Control .
    (b) State briefly the concept of Responsibility Accounting.

15. (a) Explain the concept of Cost drivers in the context of Activity based Costing (ABC) .
    (b) State the main limitations of ABC.

16.(a) What are the main limitations of a break even chart ?
    (b) How margin of safety can be improved in an organization ?

17. A Company has a P/V ratio of 40%. It maintains a margin of safety of 20%. If the annual fixed cost amounts to Rs 24 lakhs , calculate :

a) Break even sales ; b) Margin of Safety ; c) Total Sales ; d) Total Variable costs ; e) Profit

18. (a) What are the main cost considerations to be looked into in case of make or buy decision ?

(b) State the fundamental differences between a Cash Flow and a Fund Flow Statement

19. (a) Discuss briefly the concept of Flexible Budgeting in the context of Budgetary Control.

(b) Briefly explain the concept of Zero Based Budgeting (ZBB)

PART – C

Question No.20 is Compulsory and any THREE from the remaining five questions

4 x 7 Marks = 28 Marks

20. 100 skilled workmen, 40 semi skilled workmen and 60 unskilled workmen are to work for 30 weeks to get a job completed. The standard weekly wages are Rs 60 /-, Rs 36/- and Rs 24/- respectively .The job was actually completed in 32 weeks by 80 skilled, 50 semi-skilled and 70 unskilled workmen who were paid Rs 65/-, Rs 40/- and Rs 20/-respectively.

Calculate : (a) direct labour cost variance , (b) direct labour rate variance and (c) labour efficiency variance .

21. A factory is currently working at 50% capacity and produces 10,000 units. At 60% capacity , material costs increases by 2% and selling price falls by 2%. At 80% capacity , raw material cost increases by 5% and

selling price falls by 5%. At 50% capacity the production cost is Rs 180 /- per unit and the selling price is Rs 200/- per unit. The cost of Rs 180/- per unit is made up as under :

Material costs Rs 100/-; Labour costs Rs 30/- ; Factory overhead (40% fixed) Rs 30/-; Administrative overhead (50% fixed) Rs 20/-

Prepare a flexible budget showing profit at 50% , 60% and 80% capacity.

22. From the following information, complete the Balance Sheet as given below :

Total debts to net worth	0.5 : 1
Turnover of Total Assets (based on year end figure)	2 times
Gross Profit	30 %
Average collection Period (based on 360 days a year)	40 days
Inventory Turnover	3 times
Acid test Ratio	0.75 : 1

Balance Sheet

Liabilities (Rs)		Assets (Rs)	
Share Capital	2,00,000	Plant & Equipment	?
Retained Earnings	3,00,000	Inventory	?
Accounts Payable	?	Accounts Receivable	?
		Cash	?
Total	?	Total	?

23. A company manufactures and sells three products. All the three products are made from the same set of machines. Production is limited by machine capacity .

From the following information, indicate priorities in respect of manufacturing the three products with a view to maximizing profits :

Particulars	Product X	Product Y	Product Z
Raw material cost per unit	11.25	16.25	21.25
Direct labour cost per unit	2.50	2.50	2.50
Other variable cost per unit	1.50	2.25	3.35
Selling price per unit	25.00	30.00	35.00
Standard machine time required			
per unit (in minutes)	39	20	28

24. ABC Ltd and MNO Ltd sell identical products in identical markets. Their budgeted income statement for the year 2018-19 are as under :

Particulars	ABC	MNO
	(Rs)	(Rs)
Sales	5,00,000	6,00,000
Variable cost	4,00,000	1,80,000
Contribution	1,00,000	4,20,000
Fixed Cost	20,000	2,70,000
Budgeted Profit	80,000	1,50,000

Calculate : a) BEP for each company ; b) Sales at which each company will earn a profit of Rs 60,000/- ; c) A common Sales value at which both companies will have same profits .

25. From the following information, prepare a Cash Flow statement for XYZ Ltd for the period ended 31st March 2018

Balance Sheet as at 31st March 2018

31-3-17 (Rs)	**Liabilities**	**31-3-18** (Rs)	**31-3-17** (Rs)	**Assets**	**31-3-18** (Rs)
50,000	Paid up Capital	50,000	10,00,000	Fixed Assets	11,25,000
			(1,00,000)	Depreciation	(1,75,000)
			9,00,000	Net Assets	9,50,00
3,50,000	Retained Earnings	4,15,000			
5,80,00	Long term debts	6,50,00	1,00.000	Inventories	1,10,000
80,000	Sundry Creditors	90,000	50,000	Debtors	60,000
			10,000	Cash balance	85,000
10,60,000		**12,05,000**	**10,60,000**		**12,05,000**

The Company has earned a profit after tax of Rs 1,00,000/- out of which Rs 35,000/ was paid as dividend and the balance retained.

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