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Roll No. | | | | | | | | | | | |

S. No. of Question Paper : 6455

Unique Paper Code : 2922061201

Name of the Paper : Cost and Management Accounting

Name of the Course : BMS

Semester : II

Duration : 3 Hours Maximum Marks : 90

(Write your Roll No. on the top immediately on receipt of this question paper.)

Attempt all questions.

Simple calculator is allowed.

1. (*a*) Mukesh Ltd produces an article by blending two basic raw materials. The following standards have been set up for raw material :

Materials	Standard mix	Standard price per kg
A	40%	₹ 4
B	60%	₹ 3

The standard loss in processing is 15%. During September 2024 the company produced 1,700 kgs of finished output. The position of stock and purchases for September 2024 is as follows :

Materials	Stock on 1-9-2024 Kgs	Stock on 30-9-2024 Kgs	Purchasing during Sep 2024 Kgs	Cost ₹
A	35	5	800	3,400
B	40	50	1200	3,000

P.T.O.

Calculate all material variances assuming the FIFO method of issue of materials. The opening stock is to be valued at the standard price. 13

(*b*) Explain the concept of Relevant Costs in decision-making. How do relevant costs influence managerial decisions in scenarios such as Dropping a Product Line acceptance ? Explain with examples. 5

2. (*a*) The ABC Company Limited provides you with the following per unit details of its price and cost of production when operating at a normal capacity of 11,000 units.

Particulars	₹
Selling Price	110
Material cost	38
Labour cost	22
Variable factory overheads	11
Fixed factory overheads	11
Variable selling and administrative overheads	6
Fixed selling and administrative overheads	6

Due to unfavourable market conditions, the company anticipates being able to sell only 2,200 units in the upcoming year. In response to this, managemnt is considering a temporary shut-down of the plant's operations.

If the plant is shut down :

- Fixed facory overheads would be reduced to ₹ 44,000.
- Fixed selling and administrative overheads would be reduced to ₹ 22,000.
- Additional costs of ₹ 5,500 for shutting down and ₹ 11,000 for restarting operations would be incurred.

Requirement :

As a management consultant, you are requested to evaluate whether the company should proceed with the shut-down. Additionally, calculate the shut-down point the level of sales at which the company would be indifferent between continuing operations and shutting down. 13

(*b*) Why should labour efficiency variance be analyzed along with idle time, mix and yield variances ? 5

3. (*a*) SR Ltd. has given the following sales forecast for January 2024 to July 2024 and actual sales for November and December 2023 with the other particulars given, prepare a cash budget for the five months i.e. from January to May 2024.

The following information is given below :

Year	Months	Sales (₹)
(i) 2023	November	1,60,000
	December	1,40,000
(ii) 2024	January	1,60,000
	February	2,00,000
	March	1,60,000
	April	2,00,000
	May	1,80,000
	June	2,40,000
	July	2,00,000

(iii) Sales 20% cash and 80% credit, payable in next-to-next month.

(iv) Variable expenses 5% on turnover, time lag half month.

(v) Commission 5% on credit sale payable in the third month.

(vi) Purchases, 60% of the sales of the third month, payment will be made on 3rd month of purchases.

(vii) Rent and other expenses ₹ 6,000 paid every month.

(*viii*) Other payments :

Fixed assets purchases : March 2024 ₹ 1,00,000

Taxes : April, 2024 ₹ 40,000

(*ix*) Opening cash balance ₹ 50,000. 13

(*b*) "Flexible budgets are more realistic and useful than fixed budget" Do you agree ? Explain. 5

4. (*a*) From the books of account of M/s ABC Enterprises, the following details have been extracted for the year ending 31st March 2025. From the details below you are required to prepare a cost sheet showing the breakup of cost and profit : 13

Particulars	**Amount (₹)**
Stock of materials - Opening	1,88,000
Stock of materials - Closing	2,00,000
Materials purchased during the year	8,32,000
Direct wages paid	2,38,400
Indirect wages	16,000
Salaries to administrative staff	40,000
Freight - Inward	32,000

Freight - Outward	20,000
Sales	15,79,800
Cash discount allowed	14,000
Bad debts written off	18,800
Repairs of plant and machinery	42,400
Rent, rates and taxes—Factory	12,000
Rent, rates and taxes—Office	6,400
Travelling expenses	12,400
Salesmen's salaries and commissions	33,600
Depreciation written off—Plant and Machinery	28,900
Depreciation written off—Furniture	2,400
Director's fees	24,000
Electricity charges (factory)	48,000
Fuel (for boiler)	64,000
Sale of scrap	500
General charges	24,800
Manager's salary (1/5th for factory and 4/5th for office)	48,000

(*b*) State and explain the main differences between cost accounting and financial accounting. 5

5. Write notes on any *two* :

(*a*) How target costing helps cost-sensitive industries gain a competitive edge and implement strategic pricing ? 6

(*b*) How life cycle costing is important for sustainable product development and long-term investment decisions ? 6

(*c*) How quality costing helps uncover hidden expenses and enhance overall quality control ? 6