

M.B.A. (CBCS Pattern) Sem-II
PCB2C03 / C-23 - Cost and Management Accounting

P. Pages : 4

Time : Three Hours



GUG/S/24/10684S

Max. Marks : 70

- Notes : 1. Attempt **any five** questions.
2. All questions carry equal marks.

1. Explain the nature and scope of Management accounting. 14
2. Explain why periodic reconciliation of cost and financial account is necessary. 14
3. Can contract costing be applied in a factory? State the special feature of contract costing. 14
4. The liquidity of the business is measured by its ability to satisfy its long-term obligations as they become due. What are the ratios used for the purpose? 14
5. A firm manufacturing and sold 1000 units in the year 2019. The summarized Trading & Profit & Loss Account is given below. 14

| Dr. | | Cr. | |
|-----------------------------------|----------|---------------------|----------|
| Particular | Amount | Particular | Amount |
| To Material | 80,000 | By Sale | 4,00,000 |
| To Direct Labour | 1,20,000 | | |
| To Manufacturing Exp | 50,000 | | |
| To Gross Profit | 1,50,000 | | |
| | 4,00,000 | | 4,00,000 |
| To Manufacturing & Staff Salaries | 60,000 | By Gross Profit B/d | 1,50,000 |
| To Rent Rates & Taxes | 10,000 | | |
| To General Exp. | 20,000 | | |
| To Selling Exp. | 30,000 | | |
| To Net Profit | 30,000 | | |
| | 1,50,000 | | 1,50,000 |

For the year 2020, the estimates are that :

- i) Output and Sales will be 1200 units.
- ii) Price of material will increase by 20% on previous year.
- iii) Direct labour rate will rise by 5%
- iv) Manufacturing expenses will increase in combine proportion to material and wages.
- v) There will be no change in selling price cost per unit.
- vi) Rise in output will not affect other expenses.

Prepare a statement the price at which the unit to be manufacturing in the year should be marked so as to show a profit of 20% on selling price.

6. A company manufacturing table fans supplies you the following data and ask you to prepare a statement showing profit as per table fans. Wages and material are charged at cost, work overheads at 80% of wages, and office on cost at 20% of work cost. You also required preparing a statement reconciling the profit as shown by the cost account with the profit shown by financial account for the year ended 31st March. Two types of table fans are manufactured namely model X and Model Y. There is no fan in stock. Number of fans sold was X-1500, Y-1050. The description is as under

| | Model X | Model Y |
|-----------------------|---------|---------|
| Material per Fan | 100 | 80 |
| Wages per Fan | 80 | 60 |
| Selling Price per Fan | 300 | 250 |

Prepare relevant statement showing the actual profit for the year, if the work indirect expenses were Rs.82,000 and office on cost Rs.75,000.

7. Modern construction limited has taken two contracts on 1st October 2017. The position of contracts as on 30th September 2018 was as follows. 14

| Particular | Contract I | Contract II |
|---------------------------------------|------------|-------------|
| Contract price | 27,00,000 | 60,00,000 |
| Material | 5,80,000 | 10,80,000 |
| Wages Paid | 11,24,000 | 16,50,000 |
| Other Expenses | 28,000 | 60,000 |
| Plant at site (cost) | 1,60,000 | 3,00,000 |
| Unused Material at site | 40,000 | 60,000 |
| Wages Payable | 36,000 | 54,000 |
| Other expenses due (outstanding) | 4,000 | 9,000 |
| Work certified | 16,00,000 | 30,00,000 |
| Cash received | 12,00,000 | 22,50,000 |
| Work completed but not yet certified. | 80,000 | 90,000 |

The plant at site is to depreciated at 10%. Prepare the contract account in respect of each contract showing the notional profit and also the profit to be transferred to P/L A/c.

8. a) Give that 7
 Current Ratio 2.5:1, Acid Test Ratio 1.5:1, Current Liabilities Rs.50,000/-
 Find out
 i) Current Asset
 ii) Liquid Asset
 iii) Inventory
- b) The following information is given about M/s R...K..Ltd for the year ending 31st Dec. 2022. Stock turnover Ratio = 6 times, Gross Profit Ratio = 20% on sale, Sale for 2022 = Rs. 3,00,000. Closing Stock is Rs. 10,000 more than the opening stock, Opening creditors = Rs. 20,000, Closing Creditors = Rs. 30,000, Trade Debtors at the end = Rs. 60,000, Net working capital = Rs. 50,000. 7
 Find out
 i) Average Stock
 ii) Purchase
 iii) Creditors turnover ratio
 iv) Average payment period
 v) Average collection period
 vi) Working capital turnover ratio.

9. Balance Sheet of Vraj Bhushan Ltd are as follows:

| Particular | 2022 | 2021 |
|-----------------------|----------|----------|
| Share Capital | 2,00,000 | 1,00,000 |
| Share Premium | 5,000 | - |
| Mortgage Loan | 20,000 | 30,000 |
| Debenture | 10,000 | 10,000 |
| Bank Loan | 18,000 | 28,000 |
| Creditors | 30,000 | 20,000 |
| Unpaid Expenses | 5,000 | 3,000 |
| Bad debt reserve | 4,000 | 2,000 |
| General reserve | 4,000 | 3,000 |
| Tax Provision | 8,000 | 10,000 |
| P/L Account | 10,000 | 8,000 |
| Dep. Fund on Building | 3,000 | 4,000 |
| | 3,17,000 | 2,18,000 |
| Building | 20,000 | 15,000 |
| Land | 30,000 | 25,000 |
| Machinery | 20,000 | 40,000 |
| Stock | 30,000 | 20,000 |
| Debtors | 40,000 | 30,000 |
| Cash | 10,000 | 50,000 |
| Bank Balance | 2,000 | 8,000 |
| Goodwill | 5,000 | 10,000 |
| Share Discount | 1,000 | 2,000 |
| Bills Receivable | 20,000 | 30,000 |
| Petty Cash | 100 | 500 |
| Investment | 1,38,900 | 32,500 |
| | 3,17,000 | 2,18,000 |

Adjustment:

- i) Interim Dividend Paid in 2022 Rs.5,000
- ii) Tax paid during the year Rs.22,000
- iii) Building Sold for Rs.3,000 which is cost price Rs.5,000 and which accumulated depreciation Rs.3,000.
- iv) Depreciation Charge on Machinery in current year Rs.5,000
- v) Investment costing Rs.30,000 was sold for Rs.25,000
- vi) Share of Rs.5,000 issued for the purchase of building.

Prepare fund flow statement.

10. From the following forecast of income and expenditure of Hussan Sheikh Pvt Ltd. Prepare a cash Budget for six month commencing from 1st July 2004 when the bank balance is estimated to be Rs. 50,000/-

| Month | Sales | Purchase | Wages | Factory Exp. | Adm. Overhead | Selling & distribution | Research exp. |
|-------|----------|----------|-------|--------------|---------------|------------------------|---------------|
| April | 45,000 | 30,000 | 2,000 | 4,000 | 1,000 | 1,000 | 500 |
| May | 40,000 | 25,000 | 3,000 | 2,000 | 1,000 | 1,400 | 500 |
| June | 50,000 | 35,000 | 4,000 | 4,000 | 1,500 | 1,600 | 500 |
| July | 60,000 | 40,000 | 4,500 | 3,000 | 1,200 | 1,500 | 600 |
| Aug | 70,000 | 50,000 | 5,000 | 5,000 | 2,000 | 1,800 | 600 |
| Sept | 80,000 | 60,000 | 6,000 | 5,000 | 2,500 | 1,600 | 700 |
| Oct | 1,00,000 | 80,000 | 5,500 | 4,500 | 1,600 | 1,800 | 800 |
| Nov. | 1,00,000 | 60,000 | 5,000 | 4,000 | 2,200 | 2,000 | 800 |
| Dec. | 80,000 | 70,000 | 6,000 | 5,500 | 2,500 | 1,600 | 800 |

Additional Information:

- i) A sales commission of 5% on sale, and due to two month after sale, is payable in addition to selling overheads.
- ii) 10% of the sales and 20% of the purchase will be made for cash at discount of 10% in both cases.
- iii) Period of credit allowed to customer is two month, but 50% of the customers pay after one month. Period of credit allowed by suppliers is three month.
- iv) Lag in payment of wages and all overheads are $\frac{1}{5}$ and $\frac{1}{2}$ months, respectively.
- v) Interest on Govt. Bonds amounting Rs.5,000 to be received in Oct.
- vi) Preference dividend of Rs.10,000 is to be paid in Sept.
- vii) A call of Rs.2 per share on equity share capital of Rs.5,00,000 divided into 50000 share of Rs.10 each is to be received on 1st Aug.
- viii) A plant costing Rs.60,000 will have to be installed in July. $\frac{1}{4}$ th of the amount is to be paid at the time of installation and balance by three equal quarterly installations.
