

M.B.A. CBCS Pattern Semester-II  
**PCB2C03 - Cost and Management Accounting**

P. Pages : 3

Time : Three Hours



**GUG/S/24/10684**

Max. Marks : 70

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

1. What is Cost Accounting? Explain its scope and importance.
2. What is the 'cost plus contract'? Discuss this from the point of view of the manufacturer and the buyer.
3. "Ratio are indicated – sometimes pointer but not in themselves powerful tool of management" in the light of this statement draw out the limitations of ratios.
4. Explain the objectives and limitations of Fund Flow statement.
5. What is Cash Budget? What are its advantages and functions?
6. Following is the Trading and Profit and loss Account of a company which manufacturer 1,000 Raincoats during the year.

Particular	Amount	Particular	Amount
To material	50,000	By Sales	1,20,000
To wages	25,000		
To manufacture exp.	15,000		
To Gross Profit	30,000		
	<b>1,20,000</b>		<b>1,20,000</b>
To Salaries	8,000	By Gross Profit	30,000
To Rent & Taxes	2,000		
To general Exp.	12,000		
To selling Exp.	2,000		
To Packing Exp.	1,000		
To Net Profit	5,000		
	<b>30,000</b>		<b>30,000</b>

Additional Information:

- i) Company has to submit a tender for 500 raincoats in the year.
- ii) Cost of material will go up by 20% of wages 10%
- iii) Manufacturing expenses will increase in combined proportion of material & wages.
- iv) Selling exp. And packing exp per unit will remain same, expenses will remain unaffected by the rise in the output. Prepare statement of tender, so as to yield 20% profit on sale.

7. From the accounts of xyz to Ltd. the following manufacturing and profit and loss account for the year ended 31<sup>st</sup> Dec. 2012 is extracted.

Xyz company ltd.

Manufacturing & profit & loss Account for the year ended 31<sup>st</sup> Dec 2012.

Particular	Rs.	Particular	Rs.
To materials-		By materials-	
Opening Stock	59,000	Closing stock	64,000
Purchase	3,73,000	By WIP-	
To Wages paid	5,62,000	Material	8,000
To wages accrued	34,000	Wages	11,000
To factory expenses	3,81,500	Factory expenses	6,600
		By cost of goods manufactured (18,000 units)	13,19,900
	<b>14,09,500</b>		<b>14,09,500</b>
To cost of goods sold	13,19,900	By sale (15,200 units)	18,24,000
To administration exp.	2,45,000	By finished stock (2800 units)	2,35,200
To selling & dist. Exp.	3,28,000	By interest on investment	2,600
To preliminary exp. Written off	20,000	By Dividend earned	11,000
To goodwill written off	15,000		
To Net Profit Transferred to Appropriation A/c	1,44,900		
	<b>20,72,800</b>		<b>20,72,800</b>

The following procedure is adopted in connection with the costing of the product.

- i) Factory expenses are allocated to production at 60% of direct labour cost.
- ii) Administration expenses are applied at Rs. 12 per unit over the units produced.
- iii) Selling and distribution expenses are charged so as to work out 20% of selling price.

Prepare costing profit and loss account & the statement of Reconciliation between the profit or loss as per two set of accounts.

8. Following information related to contract No. 16 is available from the contract ledger of a contractor for 31<sup>st</sup> March 2012. Prepare contract account.

Material supplied for the contract work	42,00
Wages	18,900
Direct expenses	15,200
Machinery sent to contract	34,200
Sale of scrap	1,800

Following additional information is provided.

- 1) On 31<sup>st</sup> March 2012 direct expenses Rs. 1000 were outstanding.
- 2) Work uncertified (31-03-12) Rs. 5,100.
- 3) Machinery valued at Rs. 2000 and material costing Rs. 3000 were lost due to fire.
- 4) Machinery costing Rs. 4000 was sold for Rs. 3000 and material costing Rs. 5000 was sold for Rs. 6000
- 5) Depreciation on machinery upto 31-3-12 was 16,000
- 6) Stock of materials at site on 31.3.12 was 5,000
- 7) Cash received from the contractee was Rs. 60,000 which is 80% of the work certified.
- 8) Value of the contract was Rs. 1,20,000

Write-

- i) Contract No. 16 Account
- ii) Work in progress Account
- iii) Show all the related items in the balance-sheet on 31-3-12.

9. Balance sheet of Rahul & Co. Ltd are as

Particular	2012 (Rs)	2013 (Rs)
Cash	3,000	4,700
Stock	28,000	19,000
Debtors	12,000	11,500
Machinery	1,40,000	1,85,000
Land	50,000	49,500
	<b>2,33,000</b>	<b>2,69,700</b>
Share Capital	1,20,000	1,70,000
Debentures	42,000	34,000
P/L Account	28,000	32,500
Account payable	14,000	15,200
Bank Overdraft	29,000	18,000
	<b>2,33,000</b>	<b>2,69,700</b>

Adjustment:

- 1) Dividend paid during the year Rs. 20,000
  - 2) Machine costing Rs. 12,000 was sold for Rs. 9000 and depreciation charge on account Rs. 14,000
  - 3) Tax paid during the year Rs. 9,000
  - 4) A part of land purchased during the year for Rs. 10,000
  - 5) Redemption of debenture are made on 5% discount.
- Prepare statement of changes in working capital and fund flow statement.

10. By the help of following information prepare cash budget for the three months ending 30<sup>th</sup> June.

Months	Sales Rs.	Purchases Rs.	Wages Rs.	Overheads Rs.
January	60,000	40,000	11,000	6,200
February	56,000	48,000	11,600	6,600
March	64,000	50,000	12,000	6,800
April	80,000	56,000	12,400	7,200
May	84,000	62,000	13,000	8,600
June	76,000	50,000	14,000	8,000

On 1<sup>st</sup> April expected cash balance Rs. 20,000 Additional information will be as under:

- 1) Payment of material and overheads will be done in the following months. (means log in time for the payment of material and overheads will be one month).
- 2) Payment of the wages will be done in the same month.
- 3) Terms and conditions of the sale as under:
  - i) ½ amount of credit sales will be recovered in the following months and balance amount will be recovered in the next month of the following month.
  - ii) The selling commission 5% will be paid in the following months of actual sales.
  - iii) Dividend on preference shares Rs. 36,000 will be paid on 1<sup>st</sup> May
  - iv) The amount of shares call each Rs. 25,000 will be received on 1<sup>st</sup> April and 1<sup>st</sup> June each.
  - v) Machine costing of Rs. 10,000 will be established in the months of January but payment will be done in the months of June.

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