

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

P. Pages : 4

Time : Three Hours



**GUG/W/23/10684**

Max. Marks : 70

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

1. Explain the scope and function of cost accounting? Write role of cost accounting information in planning & control. **14**
2. What is contract? What are the silent clauses and accounting feature of contract? **14**
3. “Management accounting is nothing more than the use of financial information for management purpose”. Explain the statement. **14**
4. Define the term “Fond flow statement”. How do you determine whether a particular change is in the nature of a source or of an application of fund? **14**
5. A firm manufactured and sold 1000 calculator in the year 2021. It summarized trading & P/L A/c for the year 2021 is set below. **14**

Trading & P/L A/c

| Dr                           |                 |                 | Cr              |
|------------------------------|-----------------|-----------------|-----------------|
| To cost of material          | 80,000          | By sale         | 4,00,000        |
| To direct wages              | 1,20,000        |                 |                 |
| To manufacturing changes     | 50,000          |                 |                 |
| To Gross profit              | 1,50,000        |                 |                 |
|                              | <b>4,00,000</b> |                 | <b>4,00,000</b> |
| To management & staff salary | 60,000          | By Gross profit | 1,50,000        |
| To Rent Rates & taxes        | 10,000          |                 |                 |
| To General exp               | 20,000          |                 |                 |
| To selling Exp               | 30,000          |                 |                 |
| To Net profit                | 30,000          |                 |                 |
|                              | <b>1,50,000</b> |                 | <b>1,50,000</b> |

For the year 2022 it is estimated that

- 1) Output and sales will be 1200 calculator
- 2) Price of material will rise by 20% on the previous year level.
- 3) Wage rate will rise by 5%.
- 4) Manufacturing charges will increase in proportion to the combined cost of material & wages.
- 5) Selling & distribution cost per unit will remain same.
- 6) Other expenses will remain unaffected by the rise in the output.

Prepare a statement showing the price of which the calculators to be manufactured in 2022 should be marketed so as to show profit of 10% on selling price.

6. The following figures are extracted from the financial accounts of a manufacturing firm for the first year of its operation. 14

|                                  |             |
|----------------------------------|-------------|
| Direct material consumption      | 50,00,000   |
| Direct wages                     | 30,00,000   |
| Factory overhead                 | 16,00,000   |
| Administration overhead          | 7,00,000    |
| Selling & distribution overhead  | 9,60,000    |
| Bad debt's                       | 80,000      |
| Preliminary expenses written off | 40,000      |
| Legal charges                    | 10,000      |
| Dividend received                | 1,00,000    |
| Interest on deposit received     | 20,000      |
| Sale – 1,20,000 unit's           | 1,20,00,000 |
| Closing stock -                  |             |
| Finished stock 4000 units        | 3,20,000    |
| Work in progress                 | 2,40,000    |

The cost accounts for the same period reveal that the direct material consumption was Rs. 56,00,000, factory overhead is recovered at 20% on prime cost.

Administration overhead is recovered @ Rs. 6. Per unit of production selling & distribution overhead are recovered @ Rs. 8 per unit sold. You are required to prepare costing and financial profit and loss accounts and reconcile the difference in the profit as arrived at in the two set's of account's

7. A construction company. Prepare his financial account on 31-03-2022. on the position of contract which was started on 1<sup>st</sup> July 2021 is as :- 14

|                        |                |
|------------------------|----------------|
| Material               | Rs 30,000/-    |
| Wages                  | Rs 35,000/-    |
| Other expenses         | Rs 1500/-      |
| Plant sent to contract | Rs 5,000/-     |
| Material in hand       | Rs 1,200/-     |
| Certified work         | Rs. 72,000/-   |
| Cash Received          | Rs. 54,000/-   |
| Uncertified work       | Rs. 2,000/-    |
| Plant in hand          | Rs. 4,000/-    |
| Contract price         | Rs. 1,20,000/- |

Transfer a real profit to profit and loss account. Prepare contract account and show contract account on 1<sup>st</sup> April 2022 and show a position of contract in Balance sheet on 31-03-2022.

8. The following information is given about M/S R. K. Ltd. for the year ending 31<sup>st</sup> Dec 2020. 14

Stock Turnover Ratio = 6 times.

Gross profit = 20% on Sales,

Sales for 2020 = Rs 3,00,000

Closing stock is Rs. 10,000, more than the

Opening stock, opening creditor's = Rs 20,000

Closing creditor's = Rs. 30,000,

Trade Debtor's at the end = Rs 60,000,

Net working capital = Rs 50,000

Find out.

- 1) Average stock 2) purchase 3) creditor's turnover ratio 4) Average payment period.  
5) Average collection period. 6) working capital turnover Ratio.

| Particular            | Amt 2021        | Amt 2020        |
|-----------------------|-----------------|-----------------|
| 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          |
| Creditor's            | 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           |
|                       | <b>3,17,000</b> | <b>2,18,000</b> |
| Building              | 20,000          | 15,000          |
| Land                  | 30,000          | 25,000          |
| Machinery             | 20,000          | 40,000          |
| Stock                 | 30,000          | 20,000          |
| Debtor's              | 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           |
| Bill's receivable     | 20,000          | 30,000          |
| Petty cash            | 100             | 500             |
| Investment            | 1,38,900        | 32,500          |
|                       | <b>3,17,000</b> | <b>2,18,000</b> |

Adjustment:-

- 1) Interim dividend paid in 2021 Rs. 5,000
- 2) Tax paid during the year Rs. 22,000
- 3) Building sold for Rs. 3,000 which cost price Rs. 5,000 and which accumulated depreciation Rs. 3,000/-
- 4) Depreciation charge on machinery in current year Rs. 5,000
- 5) Investment costing Rs. 30,000 was sold for Rs. 25,000.
- 6) Share of Rs. 5,000 issued for the purchase of building.
- 7) Prepare fund flow statement

10. From the following forecast of income and expenditure of Rajesh Ltd, prepare a cash budget for six month's commencing from 1<sup>st</sup> July 2014 when the Bank Balance is estimated to be Rs. 50,000.

14

| Month | Sales    | Purchases | Wages | Factory overhead | Admin overhead | Selling & distribution overhead | Research expenditure overhead |
|-------|----------|-----------|-------|------------------|----------------|---------------------------------|-------------------------------|
| 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

- 1) A sales commission of 5% on sales, and due to two month's after sales is payable in addition to selling overhead.
- 2) 10% of the sales and 20% of the purchase will be made for cash at a discount of 10% in both cases.
- 3) Period of credit allowed to customer is two month; but 50% of the customer pay after one month, period of credit allowed by supplier's is three month.
- 4) Lag in payment of wages and all overhead's are 1/5 and 1/2 month respectively.
- 5) Interest on Govt. Bonds amounting to Rs. 5,000/- is to be received in Oct 2014.
- 6) Preference dividend of Rs. 10,000/- is to be paid in September 2014.
- 7) Call of Rs 2 per share on equity share capital of Rs. 5,00,000 divided into 50,000 share of Rs. 10 each to be received on 1<sup>st</sup> Aug 2014.
- 8) A plant costing Rs. 60,000 will have to be installed in July 1/4<sup>th</sup> of the amount is to be paid at the time of installation and balance by three equal quarterly installment.

\*\*\*\*\*