

Seat No. _____

MAY – 2017
MCOMC206 (Semester-II)
Cost Accounting-2

Time: 3 Hrs.

Max Marks: 70

- Instructions: (1) All questions are compulsory.
(2) All questions contain equal marks.

- Q. 1** Your company has a production capacity of 1,00,000 units per year. Normal capacity utilization is reckoned as 90%. Standard marginal production costs are Rs.11 per unit. The fixed costs are Rs. 18000 per year. Marginal selling costs are Rs.3 per unit and fixed selling costs are Rs. 1,35,000 per year. The unit selling price is Rs.20. In the year ended on 30th June 2016, the production was 80,000 units and sales were 75000 units. The closing inventory on 30-6-16 was 10,000 units. The actual marginal production costs for the year were Rs. 17,500 higher than the standard.
- (i) Calculate the profit for the year
(ii) by the absorption costing method, and
(iii) Explain the difference in the profits.

OR

Maheshwari company has printed the following accounting information to you.

Year	Cost (Rs.)	Profit (Rs.)
2015-16	9,00,000	1,00,000
2016-17	10,60,000	1,40,000

You are asked to calculate:

- (i) profit volume ratio
(ii) fixed costs
(iii) Breck-even point
(iv) margin of safety for 2016-17
(v) New break even point when fixed cost is increased by 25%
(vi) Amount of profit when sales is Rs. 16,00,000 and fixed cost is increased by 25%
(vii) What will be margin of safety in 2016-17 when fixed cost is increased by 25%.

- Q.2** (A) A company manufactures two products 'M' and 'N'. The following details relate to two products.

	M	N
Sales price	Rs.290	Rs.196
Direct material	Rs.100	Rs.80
Direct labour Hours (Wage rate Rs. 1 per hour)	50	20
Variable overhead	80% of Direct wages	80% of Direct wages
Total fixed overhead	Rs. 10,000	

If the labour is in short supply, the production of which product is profitable? If the production capacity of factory is 1000 units of 'M' and 2000 units of 'N' and the 80,000 labour hours are available, then how much of each product should be manufactured to get the maximum profit?

- (B) Write not on "Key factors"

OR

- (A) For a company linear programming problem was formulated as below:

Maximize profit: $3x + 4y$

subject to-

Department 1: $x \leq 60$

Department 2: $Y \leq 50$
 Department 3: $2x + 3y \leq 200$
 Department 4 : $x + y \leq 80$
 and, $x, y \geq 0$

Write in detail the meaning of these constraints in each department and objective function.

(B) state the meaning and usefulness of linear programming.

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Q.3 The operating results of Dhaval Company Limited are as follows:

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Particulars	Products		
	X	Y	Z
Production (In Units)	4,000	10,000	12,000
Per Unit selling Price (Rs.)	80	150	170
Per unit profit (Loss) Rs.	6	26	24
Per Unit cost Rs.	86	124	146
Allocation of per unit cost:	40	64	72
Direct material wages	20	24	32
Variable cost	14	18	22
Fixed cost	12	18	20
Production capacity	20%	40%	40%

Since long product X is making loss the company is planning to discontinue it and decided to transfer its production capacity in equal proportion to 'Y' and 'Z' products. In the next year the following price rise is expected.

Particulars	Y	Z
Direct materials	10%	10%
Wages	5%	5%
Selling price	2%	2%

No change is expected in fixed cost and variable cost, give your advice to the company as a management accountant.

OR

Q.3 (A) Explain any one of the following:

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- (1) "Make or Buy decision"
- (2) Lease or Buy

(B) A company has an opportunity to obtain a machine on monthly lease rental of Rs. 2000. However, if this machine is bought, its cost price would be Rs. 1,00,000. This machine would have useful life of 8 years only. The machine is likely to realize Rs. 12000 at the end of its useful life. If the machine is purchased, the funds have to be borrowed at machine is purchased, the funds have to be borrowed at 10% while same funds can earn 14% return if interested in business.

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In such situation, give your opinion whether the machine should be bought or taken on lease.

OR

(B) Explain points to be considered while taken decision of replacement of equipment (machine).

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Q.4 Answer any two of the following questions:

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- (1) Explain the meaning and objectives of 'Just in time' (JIT) approach.
- (2) What is Life cycle costing? Explain its stages.
- (3) What is target costing? Discuss its characteristics.
- (4) What are the sources of waste?

Q.5 Select the best alternative from alternatives given for each question :

(Any seven)

- (1) In which method fixed costs of production is considered for valuation of closing stock?
- (A) Absorption costing (B) Marginal costing

- (C) Relevant costing (D) All of these
- (2) If, per unit selling price is Rs.40, variable cost is 70% of selling price and total fixed cost is Rs. 60,000 what would be the break-even point in units?
- (A) 5000 units (B) 2000 units
(C) 1500 units (D) None of these
- (3) Profitability of a product is decided on the basis of _____ when material is a limiting factor.
- (A) Contribution per kg. (B) Contribution per labour hour
(C) Contribution per unit (D) Net profit per unit
- (4) Linear programming is useful for -
- (A) Optimal decision making (B) Maximization
(C) Minimization (D) All of the above
- (5) Sunk cost deals with
- (A) Historical cost (B) Relevant cost
(C) Differential cost (D) None of these
- (6) For 10,000 units, normal production cost under marginal cost was Rs. 1,00,000 while under absorption cost was Rs. 1,20,000. What will be per unit factory fixed cost ?
- (A) Rs.2 (B) Rs. 12
(C) Rs. 10 (D) None of these
- (7) Target costing is emerged in
- (A) Japan in the year 1960 (B) America in the year 1960
(C) Japan in the year 1970 (D) America in the year 1970
- (8) "Just in Time" JIT is emerged in
- (A) Japan in the year 1950 (B) India in the year 1980
(C) America in the year 1960 (D) England in the year 1940
- (9) Under _____ cost is set by changing product design.
- (A) Life cycle costing (B) Just in time
(C) Target costing (D) Increment costing