

**MBA (CS) DEGREE EXAMINATION, NOVEMBER 2008**  
**COST AND MANAGEMENT ACCOUNTING**  
**(CBCS - 2007 Batch)**

Duration : 3 Hours

Maximum : 100 marks

**Answer ALL the questions**  
**Each Question carries 20 marks.**

1. a. i) Explain the elements of cost. (10)
- ii) Differentiate cost accounting with financial accounting (10)

(OR)

- b. i) What is the scope of management accounting? (10)
- ii) Explain the techniques of management accounting (10)
2. a. i) From the following information prepare a cost sheet : (10)

Stock 01.01.2007	Rs.	
Raw materials		30,500
Finished goods		20,400
Stock on 31.01.2007		
Raw materials		48,500
Finished goods		10,000
Work-in-progress (1.1.2007)		8,000
Work-in-progress (31.1.2007)		9,000
Sales		95,000

Direct wages	20,400
Office expenses	5,400
Selling expenses	3,800
Distribution expenses	2,500
Factory expenses	10,500
Purchase of raw materials	25,000

- ii) On 1.1.05 a contractor under took a contract for Rs.24,00,000. The Particulars of contract as on 31.03.05 are : (10)

	Rs.
Materials	2,40,000
Wages	3,28,000
Plant	40,000
Overheads	17,200
Material in hand	20,000

Cash received on account of the contract was Rs.4,80,000 being 80 % of the work certified. The plant has undergone 20 % depreciation. Prepare contract account

(OR)

- b. i) The following extracts of costing information relate to commodity A for the year ending 31.03.2007 (10)

	Rs.
Purchase of Raw material	48,000
Direct Wages	40,000
Stock on 1.4.2006 :	
Raw materials	8,000
Finished goods (1600 kg)	6,400

Stock on 31.03.2007 :	
Raw material	8,800
Finished goods (3200 Kg)	-
Work on cost	16,800
Work-in-progress :	
1 <sup>st</sup> April 2006	1,920
31 <sup>st</sup> March 2007	6,400
Office and administrative overheads	3,200
Sales (finished goods)	1,20,000

Advertising, discount allowed and selling cost is Re. 0.40 per kg. During the year 25,600 kg of commodity were produced.

Calculate cost of production and extend the cost sheet to include profit also.

- ii) The product passes through two distinct processes A and B. From the following information write up necessary accounts. (10)

	Process A	Process B
	Rs.	Rs.
Materials added	40,000	30,000
Direct labour	20,000	24,000
Overheads	13,500	22,610
Normal wastage (% of input)	5 %	5 %
Scrap value of normal hours per unit (Rs.)	5	10
Output (units)	9,400	9,000

Units issued - Process A 10,000 units at Rs. 10 each

3. a. i) Explain the concept of Break-Even Analysis. (10)
- ii) Assuming that the cost and selling price remains the same in I year and II year, calculate the following. (10)

1. Profit volume ratio
2. Break-even sales
3. Profit when sales are Rs. 1,00,000
4. Sales required to earn a profit of Rs. 20,000
5. Margin of safety at a profit level of Rs. 15,000

Year	Sales (Rs.)	Profit (Rs.)
I	1,20,000	9,000
II	1,40,000	13,000

(OR)

- b. i) Differentiate Marginal costing with Absorption costing. (10)
- ii) From the following particulars, calculate (10)

1. Break even sales
2. The profit at the expected sales
3. The profit if the actual sales drop by 10 % over the expected sales.

Expected sales = Rs. 18,50,000

Particulars	Variable cost (% on sales)	Fixed Cost (Rs.)
Direct Materials	32.8%	-
Direct labour	28.4 %	-

Factory overhead	12.6 %	1,89,900
Distribution overhead	4.1 %	58,400
Administration overhead	1.1 %	66,700

4. a. i) What is the nature of financial statement. (10)
- ii) The balance sheet of Nayak Ltd. as on 31.3.2006 is as follows : (10)

Liabilities	Rs.	Assets	Rs.
Equity capital	2,00,000	Fixed assets	3,60,000
9% preference share capital	1,00,000	Stock	50,000
8% debentures	1,00,000	Debtors	1,10,000
P & L A/c.	40,000	Bills Receivable	6,000
Creditors	90,000	Bank balance	4,000
	<u>5,30,000</u>		<u>5,30,000</u>

The sales for the year is Rs. 10,00,000

- Debt-equity ratio
- Current ratio
- Liquid ratio
- Fixed assets turnover ratio
- Current assets turnover ratio

(OR)

- b. i) Explain the nature of financial statement. (10)
- ii) Prepare a Balance Sheet from the following particulars. (10)

Gross profit = Rs. 80,000

Gross profit to cost of goods sold = 1/3

Stock velocity = 6 times

Opening stock = Rs. 36,000

Accounts Receivable velocity = 72 days

(Year = 360 days)

Current assets = Rs. 1,50,000

Accounts payable velocity = 90 days

Bills receivable = Rs. 20,000

Bills payable = Rs. 5,000

Fixed assets turnover ratio (on cost of goods sold)  
= 8 times

5. a. i) What are the limitations of financial statement? (10)
- ii) From the following balance sheets of X Ltd. for 2006 and 2007, you are required to prepare a) A schedule of changes in working capital and b) a fund flow statement. (10)

Liabilities	2006	2007	Assets	2006	2007
Share Capital	1,00,000	1,00,000	Goodwill	12,000	12,000
General reserve	14,000	18,000	Building	40,000	36,000
Profit and Loss A/c	16,000	13,000	Plant	37,000	36,000
Creditors	8,000	5,400	Investments	10,000	11,000
Bills Payable	1,200	800	Stock	30,000	23,400
Provision for taxation	16,000	18,000	Bills receivable	2,000	3,200
Provision for doubtful debts	400	600	Debtors	18,000	19,000
			Cash at bank	6,600	15,200
	<u>1,55,600</u>	<u>1,55,800</u>		<u>1,55,600</u>	<u>1,55,800</u>

**Additional information :**

1. Depreciation: Plant Rs 4,000; Building Rs. 4,000
2. Provision for taxation of Rs. 19,000 was made during the year 2007
3. Interim dividend of Rs. 8,000 was paid during the year 2007.

(OR)

- b. i) Differentiate fund flow statement with cash flow statement. (10)
- ii) Balance sheets of M/s Raman and Rahim as on 1.1 2006 and 31.12.2006 were as follows. (10)

	1.1.2006 (Rs.)	31.12.2006 (Rs.)		1.1.2006 (Rs.)	31.12.2006 (Rs.)
Creditors	40,000	44,000	Cash	10,000	7,000
Mrs. Rahim's Loan	25,000	-	Debtors	30,000	50,000
Loan from Bank	40,000	50,000	Stock	35,000	25,000
Capital	1,25,000	1,53,000	Machinery	80,000	55,000
			Land	40,000	50,000
			Building	35,000	60,000
	2,30,000	2,47,000		2,30,000	2,47,000

During the year a machine costing Rs. 10,000 (accumulated depreciation Rs. 3000) was sold for Rs. 5,000. The provision for depreciation against machinery as on 1.1.2006 was Rs. 25,000 and on 31.12.2006 Rs. 40,000. Net profit for the year 2006 amounted to Rs. 45,000. You are required to prepare cash flow statement.

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