REV-00
MCM/31/36

2017/06

M.COM
SECOND SEMESTER
COST & MANAGEMENT ACCOUNTING
MCM-203

[PART-A : Objective]

Choose the correct answer from the following: 1X20=20

1. A budget which is prepared in a manner so as to give the budgeted cost for any level of activity is known as:
   a. Master budget
   b. Zero base budget
   c. Functional budget
   d. Flexible budget

2. Which of the following is not a reason for an idle time variance?
   a. Wage rate increase
   b. Machine breakdown
   c. Illness or injury to worker
   d. Non-availability of material

3. Which of the following is considered as safe level of proprietary ratio?
   a. 0.50
   b. 2
   c. 1
   d. 1.5

4. Which of the following term refers as 'fund'?
   a. Reserves
   b. Working capital
   c. Profit
   d. Contribution

5. The P/V ratio of a product is 40 % and the selling price is Rs.40 per unit. The marginal cost of the product would be:
   a. Rs.8
   b. Rs.24
   c. Rs.30
   d. Rs.15

6. The normal costs for normal production efficiency at normal level of output is called:
   a. Standard cost
   b. Fixed cost
   c. Variable cost
   d. Opportunity cost

7. The variance arises due to the difference between the standard yield specified and actual yield obtained is called:
   a. Material Yield Variance
   b. Material usage variance
   c. Material mix variance
   d. Material price variance

8. Which of the following is not a responsibility centre?
   a. Profit centre
   b. Revenue centre
   c. Investment centre
   d. Activity centre

9. Determining the value of human resource on the basis of an employee's value in alternative use is called:
   a. Return on efforts employed method
   b. Opportunity cost method
   c. Replacement cost method
   d. Historical cost method

10. Data of a company X is given below:
    Sales Rs.15,00,000, Variable cost Rs.9,00,000, Fixed Cost Rs.4,00,000
    What is the Break Even Sales in Rs?
    a. Rs.1,00,000
    b. Rs.2,00,000
    c. Rs.3,00,000
    d. None of the given options

11. Which one of the following is not the benefit offered by Activity Based Costing?
    a. Determination of cost
    b. Helps Improving performance
    c. Helpful in strategic decision
    d. Helps in tax planning

12. Under Life Cycle Costing cost analysis should take into account the cost of the product over its entire...........
    a. Process
    b. Lifetime
    c. Research and development only
    d. Growth stage only

13. Which of the following is not relevant cost information in a make or buy decision?
    a. Variable cost
    b. General fixed cost
    c. Purchase price
    d. Loss of contribution to make the product

14. Which of the following is a source and/or application of fund?
   a. Issue of shares
   b. Sale of fixed assets
   c. Redemption of debentures
   d. All the above

15. Which one of the following includes Production cost under marginal costing?
   a. Semi variable cost
   b. Prime cost and variable overhead.
   c. Prime cost and fixed overhead
   d. Prime cost, variable overhead and fixed overhead

16. One of the primary differences between marginal costing and absorption costing is regarding the treatment of:
   a. Variable cost
   b. Fixed overhead
   c. Variable and fixed overheads
   d. Prime cost

17. Sale of long-term investments indicates:
   a. Source of Funds
   b. Application of Funds
   c. No flow of funds
   d. Cash flow from operating activities

18. Which one of the following statement is false?
   a. Cash is the lifeblood of a business and without it the business will die.
   b. If cash outflows exceed cash inflows on an ongoing basis, the business will eventually run out of cash.
   c. A profitable company will never run out of cash.
   d. Rapidly expanding companies can sometimes face a cash shortage.

19. Fixed overhead Rs. 24,000; variable cost per unit Rs.15; selling price per unit Rs. 30 then BEP is:
   a. 1,600 units
   b. 2,000 units
   c. 2,500 units
   d. 10,000 units

20. Which one of the following is not the tool of Management Accounting?
   a. Marginal costing
   b. Standard costing
   c. Budgetary control
   d. Journal entry

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UNIVERSITY OF SCIENCE & TECHNOLOGY, MEGHALAYA

Question Paper CUM Answer Sheet

[PART (A) : OBJECTIVE]

Serial no. of the main Answer sheet

Course :

Semester : Roll No :

Enrollment No : Course code :

Course Title :

Session : 2016-17 Date :

Instructions / Guidelines

- The paper contains twenty (20) / ten (10) questions.
- The student shall write the answer in the box where it is provided.
- The student shall not overwrite / erase any answer and no mark shall be given for such act.
- Hand over the question paper cum answer sheet (Objective) within the allotted time (20 minutes / 10 minutes) to the invigilator.

Full Marks	Marks Obtained	Remarks
20		

Scrutinizer's Signature *Examiner's Signature* *Invigilator's Signature*

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Duration: 3 Hrs. **Marks: 70**

PART : A (OBJECTIVE) = 20
PART : B (DESCRIPTIVE) = 50

[PART-B : Descriptive]

Duration: 2 Hrs. 40 Mins. **Marks: 50**

[Answer question no. One (1) & any four (4) from the rest]

1. What is Human Resource Accounting? Critically discuss any three methods of HR Accounting. (3+7=10)

2. "Management Accounting is Financial Accounting belt at its elastic point." How far do you agree with this statement? (10)

3. Explain the concepts of Life Cycle Costing and Target Costing with suitable examples. (6+4=10)

4. Limbu Ltd. is manufacturing two products **A** and **B**. Both products are manufactured on the same machines and undergo the same processes. Here is the detail of budgeted data obtained for the two products for the financial year ending on December 31, 2016: (4+6=10)

Description	A	B
Budgeted production quantity (units)	25,000	2,500
Number of purchase orders	400	200
Number of set-ups	150	100
Resources required/unit:		
Direct material (Rs)	25	62.50
Direct labor (Hours)	10	10
Machine time (Hours)	5	5

Budgeted production overheads cost for the year have been calculated as follows:

Description	Amount (Rs)
Volume related overheads cost	275,000
Purchase related overheads cost	300,000
Set-up related overheads cost	525,000
Total overheads cost	**1,100,000**

The budgeted labor rate is Rs 20 per hour. The company's present system is to absorb overheads by product units using rates per labor hour. However, the company is considering implementing a system of activity-based costing. Following cost drivers for overheads are used.
Volume related overheads -- Machine hours
Purchase related overheads -- Number of purchase orders
Set-up related overheads ----Number of set-ups
Calculate:
a) The unit costs for product A and B using absorption costing system.
b) The unit cost under the proposed activity-based costing system.

5. A, B and C are three similar plants under the same management who want them to be merged for better operation. The details are as under: (10)

Plant	A	B	C
Capacity Operated	100%	70%	50%
	(Rs. in lakhs)	(Rs. in lakhs)	(Rs. in lakhs)
Turnover	300	280	150
Variable cost	200	210	75
Fixed cost	70	50	62

Find out:
a) the capacity of the merged plant for Breakeven;
b) the profit at 75% capacity of the merged plant;
c) the turnover from the merged plant to give a profit of Rs.28 lakhs.

6. Following data is taken from the books of Deb manufacturing concern: (2.5×4=10)
Budgeted labour composition for producing 100 articles
20 men @Rs.1.25 hour for 25 hours
30 women @1.10 per hour for 30 hours
Actual labour composition for producing 100 articles
25 men @ Rs.1.50 per hour for 24 hours
25 women @ Re.1.20 per hour for 25 hours
Calculate:
a) Labour cost variance
b) Labour rate variance
c) Labour efficiency variance
d) Labour Mix Variance

7. A firm, engaged in an industry which is capital intensive, has been in operation for ten years. The capital employed is Rs.170 lakhs out of which Rs.100 lakhs represent equity capital and reserve, Rs.50 lakhs long-term borrowings on debentures and Rs.20 lakhs cash credit from banks. The working capital of the company is Rs.85 lakhs made up of stocks Rs.30 lakhs, stores Rs.14 lakhs, Debtors Rs.35 lakhs. Advances, Deposits, etc. Rs.6 lakhs. Annual sale is Rs.80 lakhs. (10)
Calculate six financial ratios from the above for the use of the management.

8. From the following budget data, forecast the cash position at the end of April, May and June, 2016: (10)

Month	Sales (Rs)	Purchases (Rs)	Wages (Rs)	Miscellaneous (Rs)
February	1,20,000	84,000	10,000	7,000
March	1,30,000	1,00,000	12,000	8,000
April	80,000	1,04,000	8,000	6,000
May	1,16,000	1,06,000	10,000	12,000
June	88,000	80,000	8,000	6,000

Additional Information:
Sales: 20% realized in the month of sales, discount allowed 2%. Balance realized equally in two subsequent months.
Purchase: These are paid in the month following the month of supply.
Wages: 25% paid in arrears following month.
Miscellaneous expenses: Paid a month in arrears
Rent: Rs.1, 000 per month paid quietly in advance due in April.
Income-tax: First installment of advance tax Rs.25, 000 due on or before 15th June.
Income from Investments: Rs.5, 000 received quietly, in April, July, etc.
Cash in hand: Rs.5, 000 on 1st April, 2016.

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