

**2025**

**COST AND MANAGEMENT ACCOUNTING-II — HONOURS**

**Paper : CC-4.2 Ch**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

*Candidates are required to give their answers in their own words  
as far as practicable.*

**Group - A**

1. In a manufacturing process, in course of manufacture of product X, two by-products P and Q also emerge. The pre-separation expenses amounted to ₹ 1,19,550. All the products are processed further and sold in the market.

| <u>Details</u>                  | <u>X</u> | <u>P</u> | <u>Q</u> |
|---------------------------------|----------|----------|----------|
| Sales Value (₹)                 | 90,000   | 60,000   | 40,000   |
| Post-separation Costs (₹)       | 6,000    | 5,000    | 4,000    |
| Profit as a percentage of Sales | 25%      | 20%      | 15%      |

Total fixed selling and distribution expenses are 10% of the total cost of sales and are apportioned to three products X, P and Q in the ratio of 1 : 2 : 2. Prepare a statement showing the apportionment of pre-separation costs to the main product and two by-products using suitable method. 5

**Or,**

- (a) Distinguish between joint product and by-product.
- (b) Mention various methods of apportioning pre-separation cost amongst the joint products. 3+2
2. From the following information provided by B Ltd., determine :
- (i) Margin of safety at a sales level of ₹ 2,40,000; and
- (ii) Profit if sales are 20% above break-even sales.

Selling Price per unit ₹ 40, Direct Material Cost per unit ₹ 16, Direct Labour Cost per unit ₹ 4, Variable Overhead per unit ₹ 4, Fixed Overhead per annum ₹ 40,000. 2+3

**Please Turn Over**

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**Group - B**

3. C Ltd. wants you to prepare the Cash Budget of the company for the three months— April to June, 2024. You are given the following information :

(i) Operations :

|          | Sales    | Purchases | Wages  | Other Expenses |
|----------|----------|-----------|--------|----------------|
| 2024     | ₹        | ₹         | ₹      | ₹              |
| January  | 60,000   | 20,000    | 10,000 | 10,000         |
| February | 50,000   | 20,000    | 15,000 | 10,000         |
| March    | 80,000   | 40,000    | 15,000 | 15,000         |
| April    | 1,00,000 | 50,000    | 25,000 | 20,000         |
| May      | 1,40,000 | 70,000    | 25,000 | 20,000         |
| June     | 1,60,000 | 60,000    | 30,000 | 20,000         |

- (ii) Sales are 20% in cash and the balance at 2 months' credit. Purchases are at one month's credit subject to a cash discount of 5%. (Assume that the company avails of this facility irrespective of the funds position.)
- (iii) Wages are paid 1/2 month in arrear and other expenses are paid one month in arrear.
- (iv) During May, the company pays dividend of 15% on its equity capital of ₹ 2,00,000 and during June deferred payment instalment (quarterly) of ₹ 25,000 will fall due.
- (v) It is expected that at the end of March, 2024 there will be a cash balance of ₹ 14,000. 10

**Or,**

- (a) What do you mean by Budget Manual? What are its advantages?
- (b) What is Principal Budget Factor? (3+4)+3

4. The following information is available from the records of a manufacturing unit for the last quarter :

|             | Standard Wages            | Actual Wages                 |
|-------------|---------------------------|------------------------------|
| Skilled :   | 90 workers @ ₹ 2 per hour | 80 workers @ ₹ 2.50 per hour |
| Unskilled : | 60 workers @ ₹ 3 per hour | 70 workers @ ₹ 2 per hour    |
|             | Budgeted hours : 1000     | Actual hours : 900           |

Analyse Labour Cost Variances.

10

5. (a) Distinguish between budgetary control and standard costing.
- (b) What are the limitations of standard costing? 5+5

(3)

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6. F Ltd. is currently buying a component from a local supplier at ₹ 45 per unit. The supply is tending to be irregular. Two proposals are under consideration :

- (i) Buy and install a semi-automatic machine for manufacturing this component, which would involve an annual fixed cost of ₹ 22,00,000 and a variable cost of ₹ 18 per unit manufactured.
- (ii) Buy and install an automatic machine for manufacturing this component, incurring an annual fixed cost of ₹ 45,00,000 and a variable cost of ₹ 15 per unit manufactured.

Determine :

- (a) The annual volume required, in each case, to justify a switch over from 'outside purchase' to 'own manufacture'.
- (b) The annual volume required to justify selection of the automatic machine instead of the semi-automatic machine.

5+5

**Or,**

Harvest Manufacturing Ltd. produces three products (A, B and C) using single production process that requires the use of a special machine. There are only 2,000 hours of machine time available. Total fixed overhead for the company is 3,50,000. The following per unit information is available :

|                                 | A   | B   | C   |
|---------------------------------|-----|-----|-----|
| Selling price (₹)               | 120 | 240 | 200 |
| Variable cost (₹)               | 90  | 160 | 95  |
| Machine time required (minutes) | 5   | 10  | 15  |

The potential demand is 5,000 units of Product A, 7500 units of Product B and 1600 units of Product C per month. Determine the most profitable product-mix and the profit that would be earned under best combination.

10

**Group - C**

7. Following is the summary of a manufacturing company's budgeted profit statement for the next financial year :

|  | ₹      | ₹        |  |
|--|--------|----------|--|
| Sales (9,000 units at ₹ 40)                            |        | 3,60,000 |  |
| <i>Less :</i>  |        |          |  |
| Direct materials                                       | 60,000 |          |  |
| Direct wages   | 72,000 |          |  |
| Production overhead – Fixed                            | 45,000 |          |  |
| – Variable   | 18,000 | 1,95,000 |  |
| Gross Profit   |        | 1,65,000 |  |
| <i>Less : Admin., selling and distribution costs :</i> |        |          |  |
| – Fixed  | 45,000 |          |  |
| – Variable   | 30,000 | 75,000   |  |
| Net Profit   |        | 90,000   |  |

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- (a) Calculate P/V Ratio, Break-even Point and Margin of Safety.
- (b) Also calculate the Revised P/V Ratio, Revised Break-even Point and Revised Margin of Safety in each of the following cases independently :
- (i) Selling Price per unit is reduced by 10%;
- (ii) Fixed Production Overhead is increased by ₹ 50,000. 5+(5+5)

8. What do you mean by Activity Based Costing System? How is it different from traditional volume based costing system? What do you mean by Activity Based Management? 3+6+6

**Or,**

- (a) What do you mean by cost driver in relation to Activity Based Costing (ABC)?
- (b) A company manufactures conference tables and follows ABC to absorb overheads. The company has provided the following information :

| Cost Pools          | Production Overheads (₹) | Cost Drivers      | Cost Drivers Quantity |
|---------------------|--------------------------|-------------------|-----------------------|
| Machine set ups     | 4,00,000                 | Number of set ups | 5,000 set ups         |
| Production orders   | 1,00,000                 | Number of orders  | 200 orders            |
| Machine maintenance | 1,60,000                 | Machine hours     | 4,000 hours           |
| Parts repair        | 2,40,000                 | Number of parts   | 8,000 parts           |

You are required to :

- (i) Compute the overhead rate for each cost driver.
- (ii) The company receives a special order of 20 conference tables that requires the following number of support activities :
- Number of machine set ups – 60, Number of production orders – 25, Number of machine hours – 400 and Number of parts to be repaired – 50.
- How much production overhead would be charged to this order?
- (iii) Compute the factory cost (total and per unit) under activity based costing system for this order from the following cost data :
- Direct material cost per unit ₹ 4,000, direct wages per unit ₹ 2,500 and direct expenses per unit ₹ 1,000. 2+(4+5+4)