UNIVERSITY OF GUJRAT
A WORLD CLASS UNIVERSITY

(M.Com Part-II)

Industrial and Management Accounting

Roll No: ______________

in words: ______________

Cutting, Overwriting, Erasing, Fluid painting and use of Lead Pencil will earn no marks.
Write answer of the Question No.1 and 2 on this sheet and handover it to the supervisory staff of examination within first 35 minutes.

Time Allowed: 35 Minutes ***(OBJECTIVE PART)*** ***Max. Marks: 32*** ***Sign of Supdt.***

1- a) Encircle the correct answer: ***1x8***

i) Prime Cost is accumulation of:

a) Direct Labour, Direct Product Expenses and Factory Overhead
b) Direct Material and Direct Labour
c) Direct Material, Direct Labour and Factory Overhead d) None of the above

ii) Those costs referred to as controllable costs are:

a) Costs which management decides to incur in the current period to enable the company to achieve objectives other than the filling of ordered placed by customers.
b) Costs which are likely to respond to the amount of attention devoted to them by a specified manager.
c) Costs which are governed mainly by past decisions that established the present levels of operating and organizational capacity and which only change slowly on response to small changes in capacity.
d) Costs which fluctuate in total in response to small changes in the rate of utilization of capacity.

iii) The term Sunk Costs refers to

a) Past costs that are now irrevocable b) Costs that are directly influenced by unit managers
c) Costs that should be incurred in a particular production process
d) Costs that may be eliminated if some economic activity is changed or deleted

iv) Standard Costing is an important tool for:

a) Cost Control b) Pricing c) Price Regulation d) None of above

v) Flexible budgeting is a reporting system wherein the:

a) Budget standards may be adjusted at will. b) Reporting dates vary according to the activity levels base upon
c) Statement included in the budget report vary from to period
d) Planned activity level is adjusted to the actual level before the comparison report is prepared.

vi) A company has operating income of Rs. 50,000 using direct costing for a given period. Beginning and ending inventories for that period were 13000 units and 18000 units respectively. If the fixed factory overhead application rate is Rs. 2 per unit, the operating income using absorption costing is:

a) Rs. 40,000 b) Rs. 50,000
c) Rs. 60,000 d) Not determinable from the information given

vii) One of the most important tools of cost control is

a) Standard costing b) Budgeting c) Journalizing d) Departmentalization

viii) A spending variance for factory overhead is the difference between actual factory overhead cost and factory overhead cost that should have been incurred for the actual hour worked and results from:

a) Price difference for factory overhead cost b) Quantity difference for factory overhead costs
c) Price and quantity difference for factory overhead costs
d) Different caused by production volume variance

b) Encircle True or False: ***1x4***

i) Fixed cost per unit remains fixed. **True \ False**
ii) Conversion cost consists of direct labour and factory overhead. **True \ False**
iii) Standard costing is an important tool for pricing. **True \ False**
iv) A product which has practically no sales or utility value is waste. **True \ False**

c) Fill in the blank meaningfully: ***1x4***

i) Variable cost change ______________________________ with change in output.

ii) A standard cost system may be used in either job order costing or ______________________.

iii) Under absorption cost system fixed ______________________ salaries are not inventoried.

iv) A flexible budget is also called ______________________________.

(Continued Overleaf)

2- Give short answers to the following questions: *2x8*

i) SWOT Analysis.

ii) Mixed Cost.

iii) Predetermined Factory Overhead.

iv) Margin of Safety.

v) Activity Based Costing.

vi) Equivalent Units.

vii) Flexible Budget.

viii) Opportunity Cost.

Total Marks: 32 + 68 = 100
Pass Marks = 40%

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Roll No: ____________

Time Allowed : 2:25 hrs
Max. Marks : 68

Attempt **FOUR** Questions in all. All Questions carry equal marks.

SUBJECTIVE PART

3- On October 1,2012 the accountant of the Burn Hall Company prepared a trial balance from these accounts were extracted:

Finished Goods (2,800 Units)	$ 9,800	
Work in process (1,200 Units)	4,070	
Materials and Supplies	40,700	
Building	48,000	
Accumulated Depreciation Building		6,000
Machinery and Equipment	96,000	
Accumulated Depreciation-Machinery and Equipment		37,500
Office Equipment	3,200	
Accumulated Depreciation-Office Equipment		1,000
Accrued Payroll		650
The following transactions and other data have been made available for October:		
Purchased Materials and Supplies	$ 24,800	
Paid Factory Overhead	20,100	
Paid Marketing Expenses	25,050	
Paid Administrative Expenses	19,700	
Requisitions for:		
Direct Material	29,800	
Indirect Materials	3,950	
Depreciation: Building, 5% (75% to manufacturing, 15% to marketing and 10% to administrative expenses) Machinery and Equipment, 10% Office Equipment, 15% (40% to marketing and 60% to administrative expenses)		
Sales on account (20,700 units)	$ 144,900	
Sales Return and Allowances	1,300	
Cash Payment for:		
Accounts Payable	$ 75,000	
Payroll	21,800	
Distribution of Payroll Earned:		
Direct Labour	18,600	
Indirect Labour	4,400	
Cash Collected from Customers	116,900	
Applied Factory Overhead	27,450	

Units transferred to finished goods 20,400
Cost of goods sold figure is calculated on the FIFO basis
work in process inventory October 31, 2012 $ 4,440

Required:

i) The cost of goods sold section of the income statement in detail, assuming that over-or-under applied factory overhead is deferred until the end of the fiscal period.
ii) The income statement for October.
iii) The amount of over-or under applied factory overhead.

4- Selzik company makes super-premium cake mix that go through two processing departments: blending and packaging. The following activity was recorded in the blending department during July:

Production Data:		
Units in process, July 1 (material 100% complete: conversion 30% complete)		10,000
Units started into production		170,000
Units in process, July 31st (material 100% complete: Conversion 40% complete)		20,000
Cost Data: Work in process inventory, July 1;		
Material Cost	$ 8,500	
Conversion Cost	$ 4,900	
Cost added during the month;		
Materials Cost	$ 139,400	
Conversion Cost	$ 244,200	

All materials are added at the beginning of the work in the blending department. The company uses the FIFO method in its process costing system.

(Continued Overleaf)

Required: Assuming that the company uses the weighted-average method:
i) Determine the equivalent units for July for the blending department.
ii) Compute the costs per equivalent unit for July for the blending department.
iii) Determine the total cost of ending work in process inventory and the total cost of units transferred to next process for the blending department in July.
iv) Prepare a cost reconciliation report for the blending department for July.

5- The following data relating to units and total shipping expense have been assembled Archer Company, a wholesaler of large custom-built air conditioning units for commercial buildings:

Month	Units Shipped	Total Shipping Expenses
January	3	$ 1,800
February	6	$ 2,300
March	4	$ 1,700
April	5	$ 2,000
May	7	$ 2,300
June	8	$ 2,700
July	2	$ 1,200

Required:
1) Using the high-low method, estimate a cost formula for shipping expense.
2) The president of the company has no confidence in high-low method and would like you to check your results using a scatter graph.
   a) Prepare a scatter graph, using the data given above, plot cost on the vertical axis and activity on the horizontal axis. Use a ruler to fit a straight line to your plotted points.
   b) Using your scatter graph, estimate the approximate variable cost per unit shipped and the approximate fixed cost per month with the quick- and -dirty method.
3) What factors, other than the number of units shipped are likely to affect the company's total shipping expense? Explain.

6- On May 1, Bovar Company began the manufacturing of new mechanical device known as "Dandy". The company installed a standard cost system in accounting for manufacturing costs. The standard costs for a unit of Dandy are:

Materials: 6 lbs at $1 per lb	$6.00
Direct Labor: 1 hour at $4 per hour	4.00
Factory Overhead: 75% of direct labor cost	3.00
	$ 13.00

The following data were obtained from Bovar's records for May:	
Actual Production of Dandy	4,000 Units
Units Sold of Dandy	2,500
Sales	$ 50,000
Purchases (26,000 Pounds)	27,300
Materials Price Variance (applicable to May purchase)	$ 1,300 unfav.
Materials Quantity Variance	1,000 unfav.
Direct Labor Rate Variance	760 unfav.
Direct Labor Efficiency Variance	800 fav.
Factory Overhead Total Variance	500 unfav.

Required:
1) Standard Quantity of Materials Allowed (in pounds)
2) Actual Quantity of Materials Used (in pounds)
3) Standard Hours Allowed
4) Actual Hours Worked
5) Actual Direct Labor Rate
6) Actual Total Factory Overhead

7- The following data refer to a single product, the Techwhiz, made by the Markdata Computer Company:
Sales Price = $ 5,595
Material Cost (Including purchased components) = $ 899
Direct Labor Cost = $ 233
Facilities Cost (for a highly automated plant mainly includes Rent, Insurance, Taxes and Depreciation) = $2,352,000 per year
Required:
i) What is unit contribution margin?
ii) What is the breakeven point in units and dollars?
iii) What is the desired level of sales if the company plans to increase fixed costs by 5 percent (to improve product quality and appearance) and achieve a desired before- tax profit of $200,000?
iv) If the company's income tax rate is 22 percent, what unit sales are necessary to achieve an after tax profit of & 150,000?

8- Dexter Corporation produces and sells a single product, a wooden hand loom for weaving small items such as scarves. Selected cost and operating data relating to the product for two years are given below:

Selling price per unit	$50	
Manufacturing Costs:		
Variable per unit produced:		
Direct Materials	$ 11	
Direct Labor	$ 6	
Variable overhead	$ 3	
Fixed per year	$ 120,000	
Selling and administrative costs:		
Variable per unit sold	$ 4	
Fixed per year	$ 70,000	
	Year 1	Year 2
Units in beginning inventory	0	2,000
Units produced during the year	10,000	6,000
Units sold during the year	8,000	8,000
Units in ending inventory	2,000	0

Required:

1) Assume the company uses absorption costing.
   a) Compute the unit product cost in each year
   b) Prepare an income statement for each year
2) Assume the company uses variable costing.
   a) Compute the unit product cost in each year.
   b) Prepare an income statement for each year.
3) Reconcile the variable costing and absorption costing net operating incomes.