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END SEMESTER EXAMINATION, MAY - 2026

M. B. A. Semester – II **Paper Code: 552109**

Subject Name: Cost & Management Accounting **Subject Code: MB203**

Time allotted: 03 Hours **Max. Marks: 100**

Note: Read all the instructions carefully.

Q.1. Objectives Type (Very Answer, MCQ, One-liners, Fill in the Blank, True/ False) Attempt all. (10x2=20)

a.	Define cost accounting.	CO1
b.	What is meant by fixed cost?	CO1
c.	State any two elements of cost.	CO1
d.	Fill in the blank: EOQ stands for _____.	CO1
e.	True/False: Variable cost per unit remains constant.	CO1
f.	What is contribution in marginal costing?	CO1
g.	Name and define any one method of inventory valuation.	CO1
h.	Fill in the blank: P/V ratio = _____ / Sales.	CO1
i.	True/False: Budgetary control helps in performance evaluation.	CO1
j.	What is a cost centre?	CO1

Q.2. Short notes / Short Answer Type (Attempt any five out of Seven) (5x4=20)

a.	Explain the classification of costs.	CO2
b.	Discuss the concept of Economic Order Quantity (EOQ).	CO2
c.	Explain overhead allocation and absorption.	CO3
d.	Differentiate between marginal costing and absorption costing.	CO2
e.	What is Break-Even Point? Draw graphical representation of BEP.	CO3
f.	Explain the types of budgets used in business	CO2
g.	What is responsibility accounting?	CO2

Q.3. Structured Question (Attempt any three out of four) (3x10=30)

a. The following transactions occur in the purchase and issue of a material: CO3

- **Jan. 2:** Purchased 4,000 units @ ₹4.00 per unit
- **Jan. 20:** Purchased 500 units @ ₹5.00 per unit
- **Feb. 5:** Issued 2,000 units
- **Feb. 10:** Purchased 6,000 units @ ₹6.00 per unit
- **Feb. 12:** Issued 4,000 units
- **March 2:** Issued 1,000 units
- **March 5:** Issued 2,000 units
- **March 15:** Purchased 4,500 units @ ₹5.50 per unit
- **March 20:** Issued 3,000 units

From the above, prepare the Stores Ledger Account using the Weighted Average Price.

b. **Medical Aids Co.** manufactures a special product **A**. The following particulars were collected for the year ending **31 March 2024**: CO3

Given Data:

a. Monthly demand of A = 1,000 units
b. Cost of placing an order = Rs. 100
c. Annual carrying cost per unit = Rs. 15
d. Normal usage = 50 units per week
e. Minimum usage = 25 units per week
f. Maximum usage = 75 units per week
g. Reorder period = 4 to 6 weeks

Required:

Compute the following:

1. Reorder Quantity (EOQ) 2. Reorder Level 3. Minimum Level
4. Maximum Level 5. Average Stock Level

P.T.O.

c. The standard mix to produce one unit of product is as follows: CO4

Material	Quantity (Units)	Rate per Unit (Rs.)	Amount (Rs.)
Material A	60 units	15	900
Material B	80 units	20	1,600
Material C	100 units	25	2,500
Total	**240 units**		**5,000**

During the month of April, 10 units were actually produced and consumption was as follows:

Material	Quantity (Units)	Rate per Unit (Rs.)	Amount (Rs.)
Material A	640 units	17.5	11,200
Material B	950 units	18	17,100
Material C	870 units	27.5	23,925
Total	**2,460 units**		**52,225**

Calculate **all Material Variances**.

d. Draw up a **flexible budget for overhead expenses** on the basis of the following data and determine the **overhead rates** at **70%, 80% and 90% plant capacity**. CO4

Given Data (at 80% Capacity):

Variable Overheads:

- Indirect Labour – Rs. 12,000
- Stores including Spares – Rs. 4,000

Semi-Variable Overheads:

- Power – Rs. 20,000 (30% Fixed, 70% Variable)
- Repairs and Maintenance – Rs. 2,000 (60% Fixed, 40% Variable)

Fixed Overheads:

- Depreciation – Rs. 11,000
- Insurance – Rs. 3,000
- Salaries – Rs. 10,000

Total Overheads – Rs. 62,000

Estimated Direct Labour Hours – 1,24,000 hours

Q.4. Long Answer / Essay type (Attempt any two out of three) **(2x15=30)**

a. The following data were obtained from the books of S N Engineering Company for the half-year ended 30 September 2024. Prepare a Departmental Distribution Summary. CO4

		Production departments			Service departments	
		A	**B**	**C**	**X**	**Y**
Direct wages	₹	7,000	6,000	5,000	1,000	1,000
Direct materials	₹	3,000	2,500	2,000	1,500	1,000
Employees	No.	400	300	300	100	100
Electricity	kWh	8,000	6,000	6,000	2,000	3,000
Light points	No.	10	15	15	5	5
Assets values	₹	50,000	30,000	20,000	10,000	10,000
Area occupied	sq. yds.	800	600	600	200	200

The overheads for 6 months were as under:

	₹		₹
Stores overhead	400	Depreciation	6,000
Motive power	1,500	Repairs and maintenance	1,200
Electric lighting	200	General overheads	10,000
Labour welfare	3,000	Rent and taxes	600

	Apportion the expenses of Department *X* in the ratio of 4 : 3 : 3 and that of department *Y* in proportion to direct wages, to departments *A*, *B* and *C*, respectively.	
b.	The following particulars have been extracted from the books of **K Production Co. Ltd.** for the year ended **31 March 2024**: ***Particulars*** — ***(Rs.)*** • Stock of Materials (1 April 2023) – 47,000 • Stock of Materials (31 March 2024) – 45,000 • Materials Purchased – 2,08,000 • Drawing Office Salaries – 9,600 • Counting House Salaries – 14,000 • Carriage Inwards – 8,200 • Carriage Outwards – 5,100 • Donations to Relief Fund – 4,300 • Sales – 4,87,000 • Bad Debts Written Off – 4,700 • Repairs of Plant, Machinery and Tools – 8,600 • Rent, Rates, Taxes and Insurance (Factory) – 3,000 • Rent, Rates, Taxes and Insurance (Office) – 1,000 • Travelling Expenses – 3,700 • Travelling Salaries and Commission – 7,800 • Production Wages – 1,45,000 • Depreciation on Machinery, Plant and Tools – 9,100 • Depreciation on Office Furniture – 600 • Director's Fees – 6,000 • Gas and Water Charges (Factory) – 1,000 • Gas and Water Charges (Office) – 1,050 • General Charges – 11,000 • Factory Manager's Salary – 11,250 **Note:** Administrative overheads relate to production activities. Prepare a **Cost Sheet** showing different elements of cost.	CO3, CO4
c.	**ABC Manufacturing Ltd.** produces a single product. The following information is available for the current year: • Selling Price per unit = Rs. 500 • Variable Cost per unit = Rs. 300 • Fixed Costs = Rs. 20,00,000 per annum • Current Sales = 12,000 units The company is planning to expand its operations. The marketing manager suggests that by reducing the selling price by **10%**, sales volume can be increased by **25%**. However, due to increased production, fixed costs will increase by **Rs. 2,00,000**. **Required:** a. Calculate the **current Profit** and **Break-Even Point (in units)**. b. Evaluate the impact of the proposed price reduction on **profitability**. Should the company accept the proposal? c. Determine the **margin of safety** under both current and proposed scenarios. d. Briefly comment on **non-financial factors** that management should consider before taking the decision.	CO3, CO4, CO5

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