**NMIMS**

**Cost and management accounting**

**Internal Assignment for June 2020 Examination**

**1. Given the slowdown in the auto sector, Fast Automobile company, a car manufacturing company wants to go in for an overhaul of its operations. The Management wants to review the cost of all its product lines i.e. types of cars it has in various segments and the way they value their closing stock given the inventory pile up, to take some strategic decisions. The Management accountant is asked to prepare a summary of costs to enable the top team to decide which product to manufacture, discontinue some segments etc. What are the various types of ways the Management accountant can classify the costs by Management decisions. Describe any 5. Also, discuss the different ways in which the company can value its closing stock?**

**Answer**: Cost is the amount of resources given up in exchange of some goods and services. The resources are expressed in money or money’s equivalent. CIMA defines the term cost as “the amount of expenditure (actual or notional) incurred on or attributable to a given thing”. The given thing may be taken as a product, service or any other activity. While the actual expenditure refers to the amount spent, the notional expenditure does not involve in any cash outlay. It does not reflect itself in the accounting records. But, it is important for the purpose of comparison of cost and in decision making.

**2. Traditional Managerial accounting was all about managing costs whereas Management accounting has undergone a sea change, given the change in the overall Global environment. Discuss and describe in relation to the following -**

* **Growth of E-Commerce and e-business. Share atleast 2 practical examples.**
* **Focus on cross-functional Groups**
* **Total Quality management concept**

**How these impacted global management accounting practices**

**Answer**: The term ‘management accounting’ refers to accounting for the management, i.e., accounting which provides necessary information to the management for discharging its functions. The functions of the management are planning, organizing, directing and controlling. Thus, management accounting provides information to the management so that planning, organizing, directing and controlling of business operations can be done in an orderly and effective manner. The basic function of management accounting is to assist the management in performing its functions effectively. The functions of the management are planning, organizing, Its half solved sample only

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**3. Fancy Bag company purchases Ladies Bags from a wholesaler @ Rs 1100/- per piece. They add accessories and packaging and sell each bag for Rs 1800/- per piece. They incur certain fixed expenses. The company wants to understand how many pieces they must sell in order to be profitable. They seek the help of a Management accountant to:**

**a. Ascertain Contribution per piece and as a % of Sales Price**

**Answer**: Purchase cost = Rs. 1100

Selling price = Rs. 1100

Contribution per piece = 1800 – 1100\*

= 700

\***Note**: In the absence