**Cost and Management Accounting**

**September 2021 Examination**

**1 .It is crucial in the present customer centric business environment which requires the companies to work not only towards reducing the costs but to manage the operating activities effectively.**

**Identifying the non-value added activities and eliminating them to avoid wastage, this helps in continuous flow of value added services to the customers. In addition to activity audit there are certain additional approaches which strengthens the activity audit**

**Discuss the approaches which have been proved useful under efficient activity management practices.**

**Ans 1.**

**Introduction:**

The achievement of efficiency in public sector enterprises is mainly dependent on the competence of the management team. Suppose appropriate management systems, internal controls, and best practices are implemented and effectively implemented in typical public sector organizations (for example, departments and agencies). In that case, they can aid in the improvement of overall efficiency and effectiveness. Employees' ability to prioritize their daily tasks would be improved with better work management. However, it may be challenging toIts Half solved only

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**2. Following information is taken from the books of Ramman Lal and Company.**

**Opening WIP 1000 units 70% complete**

**Units introduced during the period = 12000 units, Cost Rupees 21.40 Lacs**

**Units transferred to the next process 10000 units**

**Closing WIP 700 units (60% complete)**

**Normal loss is estimated at 10% of the total input including units at the beginning.**

**Scrap realized = Rs 5 per unit**

**Scraps are 100% complete**

**Calculate and describe the equivalent production. Calculate process cost (net)**

**(10 Marks)**

**Ans 2.**

**Introduction:**

Whenever units are continuously mass-produced in one or more manufacturing processes, process costing is the most commonly used cost estimation method. For example, the manufacturing of erasers, chemicals, and processed foods are all examples of this. The technique is the cost of the process (unlike job costing, where each job is costed separately). The method used is to determine the total cost of the process throughout the production units in question. In

**3. AapkiHumaari Beauty LLP requires 12000 units of Bear Shampoo annually as a part of its sales requirement, ordering one month usage at a time.**

**Each shampoo bottle costs Rs 100.**

**The ordering cost per order is Rs 50 and the carrying cost of the average inventory on a yearly basis is 10%**

**You as an adviser to the company advise to buy the most economical order size.**

**a. The company looks forward for your advice on understanding the concept of economic order size. (5 Marks)**

**Ans 3a.**

**Introduction:**

When a company talks about Economic Order Quantity (EOQ), it refers to the number of units that should be added to its inventory to reduce the overall cost of its stock, including the costs of holdings, orders, and shortages. It is used as part of a continuous inventory review system. Inventory levels are constantly checked, and a predetermined amount is ordered each time a

**b. Advise what should be desired quantity as per the economic purchase policy of the company and how much the company may save on account of ordering cost.(5 Marks)**

**Ans 3b.**

**Introduction:**

When an enterprise wants to reduce its stock expense, such as holding charges and shortfall costs, it refers to the amount of order that is the most cost-effective to purchase to reduce its stock expense. When it comes to inventory management, EOQ is required to be used to supervise the ordering, storage, and use of a company's inventory. Accounting for the number of items that