**Cost & Management Accounting**

**April 2022 Examination**

**Q1. Department A's manager wishes to apportionment the indirect expenses identifiable with department A to all the organization's other departments. However, the managers of other departments opine that the indirect expenses allocated to department A cannot be apportioned to other departments. Elucidate the terms ‘allocation and apportionment’ and bring out the differences between them to department A’s manager. Also, provide five examples of cost items to the manager suitable for apportionment and their respective basis of apportionment. Identify if department A's manager was correct. (10 Marks)**

**Ans 1.**

**Introduction:**

After all, objects have been as they should be collected beneath appropriate account headings, the subsequent step is to allocate and apportion such prices to cost centers. That is also known as overhead departmentalization. The exercise of associating overhead production expenses with separate production/service divisions or price facilities is referred to as the departmentalization of production overheads. It is executed using allocating and allocating overheads throughout numerous departments. Allocation and apportionment of overheads between manufacturing and Its Half solved only

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**Q2. Plyway manufactures and sells wooden chairs. The chief accountant of the entity is contemplating whether to follow marginal costing or absorption costing for preparing the profit statement. Explain any three advantages of marginal and absorption costing to the chief accountant. Also, try to bring out three differences between marginal and absorption costing to make a choice easy for the chief accountant. If the chief accountant prepares the profit statement for internal decision-making purposes, which of the two methods should she follow? (10 Marks)**

**Ans 2.**

**Introduction:**

Marginal costing and absorption costing are two exclusive strategies for inventory valuation. Marginal costing is a method in which the variable costs are handled as product prices, and the ongoing expenses are handled as period costs. In Marginal costing, the handiest variable prices incurred via the organization are implemented to the inventory. In assessment, the organization's variable and glued costs are carried out to the stock in absorption costing.

**Q3. Framers is in the business of trading in frozen mango pulp tins. It always maintains more inventory than required and incurs huge holding (carrying) costs. It wishes to know the ideal quantity of inventory to be ordered that would minimize the ordering and holding costs. It provides the following information:**

**a. Annual requirement 30,000 packets; cost of one packet is ₹1200; ordering cost is ₹3,240 per order and holding cost is 5 percent. Compute the economic order quantity. (5 Marks)**

**Ans 3a.**

**Introduction:**

The extraordinary order amount for an employer to acquire to reduce stock expenses such as holding charges, shortfall costs, and order fees is the financial order amount (EOQ). Demand, ordering, and retaining costs are assumed to be consistent in the calculation. Ford W. Harris

determines the acceptable number of units to reserve such that the cost is minimum and the quantity of units is optimal.

**Qb. What is the total inventory cost if the company has been ordering 2,500 packets with every order? Would the total inventory cost be higher or lower than the EOQ? (5 Marks)**

**Ans 3b.**

**Introduction:**

The stock price is described as the overall value a firm incurs while preserving stock. It is commonly one of the maximum essential variables in a corporation's performance. Financing, system, labor, shielding measures, coverage, handling, obsolescence, pilferage losses, and the opportunity cost of coping with stock are all factors of inventory value manipulation. The overall value of keeping stock is the sum of these components. Stock charges, which are defined