**Cost & Management Accounting**

**December 2022 Examination**

**Q1. The data shown below relate to an industrial organization that manufactures household appliances.**

**Standard quantity required of materials item 0009 1 kg.**

**Standard price per kg. ₹ 10**

**Product in a month appliances 100 kgs.**

**Actual quantity of materials used 98 kgs.**

**Actual price paid ₹ 11/kg**

**The following calculations for variances have been made:**

**Material usage variance = 2 kgs. @ ₹ 11 = ₹ 22**

**Material price variance = 100 kgs. × ₹ 1 = ₹ 100**

**Do you agree with these calculations? If not, provide a correct calculation for the**

**Variances. (10 Marks)**

**Answer:**

**INTRODUCTION:**

When we talk about price, it refers to all the costs that the producer of any product needs to sustain while creating the good. Standard price nevertheless refers to the expense which is pre determined or the one which is decided by the manufacturer even before the item has been introduced in the market. It is to be made a decision by the producer based on the expense of factors of production. Essentially, the basic expenses are to be used in the manufacturing setups and are also based on requirements

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**Q2. ABC Ltd. started a factory in Kolkata on 1st April, 2021. Following details are**

**Furnished about its activity during the year ended 31st March 2022.**

**Raw Material consumed – 40,000 units @ ₹7 per unit.**

**Direct Wages:**

**Skilled worker – ₹9 per unit.**

**Unskilled worker – ₹6 per unit.**

**Royalty (on raw material consumed) @ ₹3 per unit.**

**Works overheads @ ₹8 per machine hour.**

**Machine Hours Worked 25,000.**

**Office Overheads at 1/3rd of works cost.**

**Sales Commission @ ₹4 per unit.**

**Units produced 40,000**

**Stock of units at the end 4,000 units, to be valued at cost of production per unit.**

**Sale price is ₹60 per unit.**

**Prepare Cost sheet showing the various elements of cost. (10 Marks)**

**Answer:**

**INTRODUCTION:**

Price is a financial concept that suggests the expenses sustained by the manufacturer while producing any item. It needs to be established at the expense of the factors of production like land, resources, entrepreneurship, and labor. In return, the manufacturer earns a lot from the customers by selling those items on the market. In any company, maintaining this cost sheet is vital because it highlights the modification in the expense

**3.a. What are the implications of Economic Order Quantity in proper inventory management? (5 Marks)**

**INTRODUCTION:**

In a company, what comes to be essentially essential is the record of the occasions and the critical things occurring in them. It is not only about the management of the personnel in the business but also regarding the gratification of the demand of the customers. It is the customer's demand that motivates the producer to proceed the production and give sufficient supply of the

**3. b X Ltd. estimates its carrying cost at 15% and its ordering cost at ₹9 per order. The estimated annual requirement is 48,000 units at a price of ₹4 per unit.**

**a) What is the most economical number of units to order?**

**b) How many orders should be placed in a year?**

**c) How often should an order be placed? (5 Marks)**

**Answer:**

**INTRODUCTION:**

Economic order quantity, commonly referred to as EOQ, refers to the data that the firms preserve to represent their ideal size, order dimension, the amount of production they are holding, and the demand they need to fulfill. This data assists the producer in identifying just how much it has to