**Cost and Management Accounting**

**December 2022 Examination**

**1. The following details pertains to Process I for the month of July 2022**

**(i) Opening w-i-p 8,000 units**

**Degree of completion**

**Materials 100 % Cost Rs. 36,000**

**Labour 50% Cost Rs.28, 800**

**Factory overhead 50% Rs.21, 600**

**(ii) Received during the month 80,000 units at a total cost of Rs.400000**

**(iii) Expenses incurred during the month**

**Additional materials Rs. 158,000**

**Labour Rs. 223700**

**Factory overheads Rs. 180400**

**(iv) Closing w-i-p 4000 units**

**Degree of completion Materials 90 %**

**Labour and Overheads 30%**

**(v) Units scrapped 4000 units**

**Degree of completion materials labour and overheads 100%**

**Normal loss 5% of current input +opening w-i-p**

**(vi) Scrap value per unit Rs.5**

**Prepare Process I account using FIFO method (10 Marks)**

**Ans 1.**

**Introduction:**

Process costing is a costing methodology whereby the costs are charged to the operations or processes, and the total cost is balanced based on the units produced. The method of process costing is utilized in industries where the production process is accomplished. In such industries, the raw product is passed through numerous stages or processes of production before the production of goods that can be marketed out there.

The significant accounts are named the process-I account, process-II account,

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**2. In a factory the standard units of production for the calendar year 2022 was fixed at24000 units and the overhead expenditure were estimated as follows**

**Fixed Rs.1800000 Variable Rs.900000 semi variable Rs.720000**

**Normal working days in a month is 25**

**Actual production during the month of July 2022 was 1500 units.**

**During the month there was an unexpected holiday.**

**The actual overheads for this month were as follows**

**Fixed Rs.170000 variable Rs.65000 semi-variable Rs.50000**

**Semi variable expenses are considered to include 70% expenses of fixed nature and**

**30% of variable nature. Calculate for the month of July 2022 all relevant Overhead**

**Variances. (10 Marks)**

**Ans 2.**

**Introduction:**

Standard costing is a costing methodology beginning with finishing and setting standards with figuring out variances. These variances are reported to the management, who are responsible for taking rehabilitative activities. Conventional costs are an indispensable part of responsibility accounting. These costs are needed to review the performance, control the cost, and value the supply. Further, establishing typical costs aids in preparing sale quotations as the actual costs are not readily available then. It, therefore, assists in forecasting the future

**3a. You have been appointed as the Materials Manager of a medium sizemanufacturing company. The following information has been made available withregard to materials purchased in the organization**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Item code** | **Cost per****unit (Rs.)** | **Annual****consumption  (units)** | **Item code** | **Cost per****unit (Rs.)** | **Annual****consumption  (units)** |
| **001** | **25.00** | **1000** | **026** | **653.00** | **3650** |
| **002** | **55.00** | **3500** | **027** | **952.00** | **9842** |
| **003** | **99.50** | **6250** | **028** | **1100.00** | **1260** |
| **004** | **252.00** | **8500** | **029** | **1275.00** | **4536** |
| **005** | **923.00** | **3290** | **030** | **2365.00** | **2804** |
| **006** | **252.00** | **1004** | **031** | **5632.00** | **6875** |
| **007** | **360.00** | **7500** | **032** | **215.00** | **2514** |
| **008** | **380.00** | **4200** | **033** | **790.00** | **3600** |
| **009** | **65.50** | **250** | **034** | **821.00** | **7450** |
| **010** | **89.80** | **2500** | **035** | **958.00** | **1289** |
| **011** | **125.00** | **9870** | **036** | **1200.00** | **236** |
| **012** | **326.00** | **6230** | **037** | **678.00** | **4280** |
| **013** | **452.00** | **92** | **038** | **480.00** | **6950** |
| **014** | **562.00** | **2650** | **039** | **840.00** | **2000** |
| **015** | **1250.00** | **5150** | **040** | **4920.00** | **4210** |
| **016** | **235.00** | **6980** | **041** | **6150.00** | **530** |
| **017** | **98.00** | **6500** | **042** | **5210.00** | **8964** |
| **018** | **3200.00** | **568** | **043** | **9623.00** | **4520** |
| **019** | **750.00** | **6280** | **044** | **875.00** | **9680** |
| **020** | **975.00** | **1052** | **045** | **10200.00** | **2548** |
| **021** | **654.00** | **2680** | **046** | **975.00** | **364** |
| **022** | **825.00** | **3790** | **047** | **6254.00** | **5894** |
| **023** | **860.00** | **4200** | **048** | **4210.00** | **4200** |
| **024** | **1125.00** | **365** | **049** | **980.00** | **3600** |
| **025** | **450.00** | **1820** | **050** | **650.00** | **7200** |

**Do an ABC Analysis and categorize these items into A B and C categories (5 Marks)**

**Ans 3a.**

**Introduction:**

**3. b. Presently the selling price per unit of a product is Rs.50 and the Contribution to salesRatio(PV Ratio) is 20% The present Fixed cost is Rs.200000.The Fixed Cost and the PVratio change depending upon the volume of sales as indicated below**

|  |  |  |
| --- | --- | --- |
| **Sales above** | **New PV ratio** | **Increase in Fixed cost from the previous level (Rs.)** |
| **15000 units** | **25% (on sales above 15000 units)** | **50000** |
| **20000 units** | **30%(on sales above 20000 units)** | **75000** |
| **25000 units** | **40% (on sales above 25000 units)** | **No change** |

**Determine at what volume of sales (in units) we can break even? (5 Marks)**

**Ans 3b.**

**Introduction:**

Break-even sales refer to the sales volume level where the total cost sustained on such sales amounts to the earnings gained. The break-even sales revenue covers all the business's fixed and variable costs. Therefore, it is a no-profit and loss