**Cost & Management Accounting**

**June 2023 Examination**

**Question 1:**

**Office Products Ltd provides the Sales and the cost data for 60,000 units as given below. At full capacity the plant can produce 100,000 units**

**Sales Rs. 12, 00,000**

**Costs:**

**Variable:**

**Material Rs. 2, 40,000**

**Labour Rs. 3, 60,000**

**Overheads Rs. 1, 80,000**

**Fixed Cost Rs. 3, 20,000**

**Total Rs.11, 00,000**

**PROFIT Rs. 1, 00,000**

**Prepare the Income statement under marginal costing for production at 80,000 units. (10 marks)**

**Ans:**

**Introduction:**

Marginal costing is an effective accounting tool of management that allows the administration to make company decisions. It offers data concerning the performance of fees and the occurrence of such prices on a company's productivity. Marginal costing can be defined as “the dedication of marginal fees and the result at the profit of adjustments in extent or sort of output by using segregating between fixed costs and flexible costs." Marginal costing is not a precise costing. It is only a practice used by accountants to assist in controlling It is only half solved

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**Question 2:**

**Nikson Ltd provides the following information relating to the activities of a production department for January 2023**

**Material Used Rs. 72,000**

**Direct wages Rs. 60,000**

**Machine hours 20,000 hours**

**Labor hours 24,000 hours**

**Overhead chargeable to the department Rs. 48,000**

**The relevant data for carrying out one order in February is given below:**

**The material used Rs. 4,000**

**Direct Wages Rs. 3,300**

**Machine hours 1,200 hours**

**Labor hours 1,650 hours**

**Using the rates of January, prepare a comprehensive statement of cost for this order by using the following absorption of overheads.**

**1) Direct labor hours**

**2) Percentage of direct wages**

**3) Machine hour rate (10 marks)**

**Ans:**

**Introduction:**

Absorption of overheads mentions to allocating overheads to particular products or jobs. The overhead fees relating to value middle will finally be charged to the goods, assignments, etc., which pass through that value center. For the absorption of overhead to particular jobs, procedures, or items, overhead absorption charges are applicable. It is also known as the allocation of overheads to fee elements. Once the volume of overheads has been determined at the predetermined basis for individual fee centers, the next segment is to allocate it to

**Question 3a.**

**Samsung Ltd. is the manufacturers of Television. The following are the details of a Product during the year 2022.**

**Ordering Cost Rs.50 per order**

**Inventory carrying cost 10% per annum**

**Cost of Product A is Rs. 500 per unit**

**Annual consumption of Product A is 5000 units.**

**Compute the Economic order quantity. What if the inventory maintained by the company is 200 units? (5 marks)**

**Ans:**

**Introduction:**

The financial order quantity (EOQ) model states the idyllic quantity of an order that an organization can buy to reduce its inventory prices, for instance, holding fees, order costs, deficiency costs, etc. In other phrases, the order quantity at a single time ought to be the quantity that minimizes the cost of ordering & receiving goods, holding the value of products

**Question 3 (b)**

**New Corp Ltd. incurs fixed costs of Rs. 5, 00,000 per annum. The company produces a single product with annual sales budgeted to be 70,000 units at a sales price of Rs.300 per unit. Variable costs are Rs.280 per unit.**

**You are required to determine the break-even point and explain the significance of break-even point. (5 marks)**

**Ans:**

**Introduction:**

In accounting, all incomes and expenses should be accounted for the period, and the distinction between the income and charges, the earnings or loss, should be calculated. Charges can be divided into both constant charges and variable charges. A fixed fee is a cost that is only sometimes dependent