**Cost & Management Accounting**

**April 2024 Examination**

**Q1. In a particular month, 1,000 units were introduced in Process A. The normal loss is estimated at 5% of input. At the end of the month, 700 units were produced and transferred to Process B, 230 were incomplete units and 70 units were scrapped at the end of the process. The incomplete units had the following degree of completion: materials 75%, labor 50%, overheads 50%.**

**Additional details of process A are as follows:**

|  |  |
| --- | --- |
|  | **(Rs.)** |
| **Cost of 1000 units introduced** | **29000** |
| **Additional materials consumed** | **7200** |
| **Direct Labour** | **16700** |
| **Allocated overheads** | **8350** |

**The scrapped units were sold at Rs. 10 per unit. Compute:**

**1. Statement of Equivalent Production**

**2. Statement of Cost**

**3. Statement of Evaluation**

**4. Process A account (10 Marks)**

**Ans 1.**

To compute the Statement of Equivalent Production, Statement of Cost, Statement of Evaluation, and process A account, we can follow these steps:

**1. Statement of Equivalent Production:**

Equivalent Production = Completed and transferred unit+(Degree of completion of

incomplete units \* Incomplete units)

Equivalent Production =700+(0.75×230)+(0.5×230)+(0.5×230)

Equivalent Production =700+172.5+115+115

Equivalent It is only half solved

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**Q2. The following information in respect of a production process is available for the month of April 2023.**

|  |  |  |
| --- | --- | --- |
|  | **Budgeted** | **Actual** |
| **Output Units** | **120000** | **130000** |
| **Hours** | **120000** | **132000** |
| **Fixed Overheads** | **180000** | **200000** |
| **Variable Overheads** | **240000** | **272000** |
| **Working Days** | **100** | **104** |

**Compute the relevant overheads variances. (10 Marks)**

**Ans 2.**

**Introduction**

In the realm of managerial accounting, the computation of overhead variances is a pivotal tool for understanding and controlling costs within a production process. Overhead variances are discrepancies between actual and budgeted overhead costs, which are classified into fixed and variable categories. The assessment of these variances provides valuable insights into the efficiency and effectiveness of production operations. In the given scenario, we are presented with the task of analyzing

**Q3. In the course of developing the global accounting standards, the International Financial Reporting Standards are widely recognized over 100 countries. Therefore, more and more companies are presenting their financial information in the International Financial Reporting Standards to their internal and external users. As one of the largest retailers in the world, Mil Ltd. has its business over 10 countries and employed almost 3,20,000 people. It is very interesting to see how its accounting information supports its operations. To show how the business is running, the accounting information are provided to all users as managers, customers, suppliers, associations and government. As a retailer, it is very important for Mil Ltd. to provide a positive financial statement to its accounting information users.**

**a. In the context of the above case study, identify and explain the relevance of Management Accounting Information to the employees. (5 Marks)**

**Ans 3a.**

**Introduction**

Management accounting plays a crucial role in guiding and informing decision-making within a business. For a global retail giant like Mil Ltd., operating in multiple countries and employing a vast workforce, management accounting information becomes a cornerstone for internal operational efficiency and strategic planning. This information, when tailored and disseminated appropriately, can significantly impact the performance and motivation of employees at all levels. Understanding the relevance of management accounting information to the employees of Mil Ltd. is essential for recognizing how it contributes to the company's overall success and helps in maintaining