**Cost and Management Accounting**

**April 2024 Examination**

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

|  |  |  |
| --- | --- | --- |
|  | **Budgeted** | **Actual** |
| **Output Units** | **90000** | **97500** |
| **Hours** | **90000** | **99000** |
| **Fixed Overheads** | **135000** | **150000** |
| **Variable Overheads** | **180000** | **204000** |
| **Working Days** | **75** | **78** |

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

**Ans 1.**

**Introduction**

Overhead variances play a critical role in the field of cost and management accounting, offering insights into the efficiency and financial performance of a production process. These variances, essentially the differences between actual costs and budgeted or standard costs, serve as key indicators for management to identify areas of over or underperformance. In analyzing the production process for April 2023, we delve into the world of fixed and variable overhead variances. This examination not only aids in understanding how effectively the business managed its

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**2. In a particular month 1,500 units were introduced in Process A. The normal loss is estimated at 5% of input. At the end of the month, 1,050 units were produced and transferred to Process B, 345 were incomplete units and 105 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 1500 units introduced** | **43500** |
| **Additional materials consumed** | **10800** |
| **Direct Labor** | **25050** |
| **Allocated overheads** | **12525** |

**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 2.**

**Introduction**

Cost and Management Accounting is a pivotal tool that bridges the gap between financial accounting and management decision-making. It encompasses various methods and calculations that enable businesses to track, analyze, and optimize their operations and financial performance. In the context of manufacturing processes, understanding the flow of costs and evaluating the efficiency of production processes are essential. The examination of a specific

**3.a. From the following information compute the economic batch quantity:**

**Annual demand for the component 12,000**

**Set-up cost per batch Rs.120**

**Carrying cost per unit of production is Rs.0.36. (5 Marks)**

**Ans 3a.**

**Introduction:**

Calculating the economic batch quantity (EBQ) is crucial for optimizing inventory management, particularly in manufacturing settings. EBQ helps determine the ideal batch size to minimize total costs associated with inventory, including setup and carrying costs. In this scenario, we'll utilize the annual demand, setup cost per batch, and carrying cost per unit to compute the EBQ, ensuring efficient

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**b. A hotel rents out room at Rs. 20000 per night, during the tourists’ season calculated on per night basis as follows:**

|  |  |
| --- | --- |
| **Particulars** | **Amount** |
| **Caretaker's wages** | **6000** |
| **Electricity** | **2000** |
| **Cleaner's wages** | **3200** |
| **Fixed Cost** | **4000** |
| **Profit** | **4800** |

**During off season, a tourist company has offered to hire 10 rooms @ Rs.12800 per night for 50 nights.**

**Advise the hotel owner on financial grounds whether rooms should be rented out to the tourist company? (5 Marks)**

**Ans 3b.**

**Introduction:**

For hotels, optimizing room rental strategies is vital for maximizing revenue and profitability. When faced with a potential offer from a tourist company during the off-season, the hotel owner must carefully evaluate the financial implications to make an informed decision. This analysis involves