**Cost & Management Accounting**

**Jun 2025 Examination**

**PLEASE NOTE: This assignment is application based, you have to apply what you have learnt in this subject into real life scenario. You will find most of the information through internet search and the remaining from your common sense. None of the answers appear directly in the textbook chapters but are based on the content in the chapter**

**Q1. ABC Manufacturing Ltd. produces a single product and operates a factory where both direct labor costs and overhead costs are incurred. The company provides the following data for February:**

**- Labour Costing Data: Total direct wages paid: Rs.50,000**

**Number of direct labor hours worked: 10,000 hours**

**Overtime premium included in wages: $2,000**

**Employer’s contribution to benefits (social security, insurance, etc.): 10% of direct wages**

**- Overhead Costing Data: Total factory overhead costs: $40,000**

**Overheads are absorbed based on direct labor hours**

**Required:**

**1. Calculate the total direct labor cost, considering the employer’s contribution.**

**2. Compute the direct labor cost per hour.**

**3. Determine the overhead absorption rate per labor hour.**

**4. If a job requires 50 labor hours, calculate the total labor and overhead cost assigned to the job. (10 Marks)**

**Ans 1.**

**Introduction**

Crucially important for corporate operations, cost and management accounting offers financial insights enabling companies to effectively control expenses and make wise decisions. Tracking, evaluating, and managing production, labor, and overhead expenses forms its main emphasis. In manufacturing sectors especially, where profitability depends on knowledge of direct labor costs, overhead absorption, and cost allocation, cost accounting is clearly important. This project investigates ABC Manufacturing Ltd.'s cost structure—a business running a single

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**Q2A. Elaborate on the implementation of a Just-in-Time (JIT) inventory system impact the material cost control process in a manufacturing company and explain its importance. (5 Marks)**

**Ans 2A.**

**Introduction**

The Just-in-Time (JIT) inventory system significantly reduces inventory holding costs and boosts industrial productivity. Guaranteeing that goods are bought and received when needed for manufacture reduces waste by eliminating surplus inventory. Businesses may optimise working capital, streamline supply chains, and boost productivity via JIT. Since JIT reduces carrying costs, eliminates obsolescence, and promotes lean manufacturing, it controls material costs and waste. Manufacturing companies competing in a fast-paced market must first grasp how JIT improves

**Q2B. Analyze how the method of valuing work-in-progress (prime cost vs. works cost) influences the final cost of goods sold and the financial reporting of a manufacturing company. (5 Marks)**

**Ans 2B.**

**Introduction**

The final cost of goods sold (COGS) and financial reporting of a manufacturing organization depend on WIP value. WIP indicates partially completed products in production at the conclusion of an accounting period. Prime cost and works cost valuation methodologies affect financial results differently. Methods affect profit margins, inventory valuation, and cost allocation.