Cost and Management Accounting

Part - A

1. Reconciliation is the process of settling differences. Thus the difference in profits between the two systems is settled as on a particular date, through the mechanism of reconcilato

2. * To ascertain the reasons for the difference in the profits or losses in cost and financial books.
   * To check the arithmetic accuracy and reliability of cost and financial data.

3. * Accurate overhead allocation to machines.
   * Helps in better cost control of machine operations

4. Notional profit = Contract price - (Direct costs + Estimated profits)
   It is calculated by subtracting direct costs and estimated overheads from the contract price

5. Unexpected loss beyond normal process loss charged to P&L A/c

6. Value realised from sale of wastage / materials left after production

7. $\text{Cost per unit} = \frac{\text{Total Cost}}{\text{Total unit}} = \frac{10{,}000}{1000} = ₹10.$

8. A financial plan for future operations expressing expected income & expenses.

9.

Production Units = planned sales + Desired closing stock − opening stock

= 10,000 + 1,500 − 1,000 = 10,500 units.

10.

It shows how much contribution (profit) is generated per unit of sales, indicating profitability sensitivity to sales volume.

$$P/V \text{ Ratio} = \frac{\text{Contribution}}{\text{Sales}} \times 100$$

11.

$$BEP\ (\text{Units}) = \frac{\text{Fixed cost}}{\text{Contribution}} = \frac{20{,}000}{(10-6)} = 5{,}000 \text{ units}$$

12.

Sales	₹. 1,00,000
(−) V.C (60% of sales)	₹ 60,000
Contribution	40,000
(−) F.C	20,000
profit	20,000

PART - B

13.

	cost accounting	Financial Accounting
Purpose	Helps internal management in cost control and decision-making	Reports financial position and performance to external parties.
Focus	Focuses on costs and efficiency of operations	overall financial results and position.
Reporting	Reports are for internal use	Reports are for external use
compliance	No legal requirement.	accounting standards
scope	costs, budgets and performance analysis	overall financial transaction and reporting.

14.

Computation of machine hour rate

Particulars	per hour
Standing charges 40/120	0.333
Machine expenses	
Dep $\frac{11,000-680}{10,000}$	1.032
Repairs $\frac{1,500}{10,000}$	0.1500
power 6 x 0.05	0.3000
Machine hour rate	1.8153 (or) 1.82

15.

Contract A/c

particulars	₹	particulars	₹
To Contract cost	11,20,000	By work certified $10,80,000 \times \frac{100}{90}$	12,00,000
To Notional profit	10,88,000	By work uncertified	10,08,000
	22,08,000		22,08,000

To profit

$10,88,000 \times \frac{10,80,000}{12,00,000} \times \frac{2}{3}$ 6,52,800

16.

Process A A/c

particulars	units	₹	particular	units	₹
To Direct materials	1,000	12,000	By process B (transfer)	1000	36,000
To Direct wages		8,000			
To Direct expenses		5,000			
To overheads		11,000			
	1,000	36,000		1,000	36,000

17.

Production Budget for the half year ending 30-6-2000

Particulars	S	T	Total
Sales	20,000	50,000	70,000
(+) cl. stock	5,000	10,000	15,000
	25,000	60,000	85,000
(-) op. stock	4,000	6,000	10,000
	21,000	54,000	75,000

18.

Cash Budget

Particulars	April	may	June
op. Bal	25,000	56,000	(-47,000)
(+) Receipts	1,86,000	1,50,000	1,41,000
Total cash available	2,11,000	2,06,000	94,000
Less			
Purchases	1,44,000	2,43,000	2,46,000
wages	11,000	10,000	15,000
cl. Balance	56,000	(-47,000)	(-1,67,000)

19.

i) $P/V \text{ Ratio} = \frac{\text{Change in profit}}{\text{Change in Sales}} \times 100 = \frac{5,000}{20,000} \times 100 = 25\%$

ii) $BEP = \frac{\text{Fixed cost}}{P/V \text{ Ratio}} = \frac{17,500}{25\%} = ₹\ 70,000$

Contribution = Sales × P/V Ratio

= 1,50,000 × 25% = 37,500

F.C = Con - profit = 37,500 - 20,000 = 17,500

Part - C

20. Profit as per profit & Loss a/c = ₹ 2,02,300

(2,80,000 + 4,000 + 2,000 + 300 + 2,000 − 80,000 − 6,000)

21.

Contract No 678 Account

Particulars	₹	Particulars		₹
To Raw materials	1,20,000	By Materials at site		10,000
To wages	1,64,000	By plant at site:		
To General expenses	8,600	cost	20,000	
To plant	20,000	(−) 10% Dep	2,000	18,000
To Notional profit	15,400	By work certified	$2,40,000 \times \frac{100}{80}$	3,00,000
	3,28,000			3,28,000
To P&L A/c $\left[15,400 \times \frac{2}{3} \times \frac{80}{100}\right]$	8,213	By Notional profit		15,400
To Reserve	7,187			
	15,400			15,400

22.

	cost per unit ₹	Total cost ₹
By process X A/c (transfer to Y A/c)	15.00	75,000
By process Y A/c (transfer to Z A/c)	23.60	1,18,000
By process Z A/c (transfer to F.G)	30.10	1,50,500

23.

Flexible Budget

Particulars	50% 1,000 units P.U	Total	75% 1,500 units P.U	Total	100% 2,000 units P.U	Total
Materials	100	1,00,000	100	1,50,000	100	2,00,000
Labour	50	50,000	50	75,000	50	1,00,000
Variable expenses	10	10,000	10	15,000	10	20,000
	160	1,60,000	160	2,40,000	160	3,20,000
Ad. exp			20	30,000	20	40,000
Variable (50%)	20	20,000	13.33	20,000	10	20,000
Fixed (50%)	20	20,000				
Selling & Dis exp			20	30,000	20	40,000
Variable (40%)	20	20,000	20	30,000	15	30,000
Fixed (60%)	30	30,000				
Total cost	250	2,50,000	233.33	3,50,000	225	4,50,000

24. a) P/V Ratio = 40%

b) Break-even point = ₹. 7,50,000

c) profit when sales = ₹. 1,80,000

d) sales required = ₹. 12,50,000