MAULANA ABUL KALAM AZAD UNIVERSITY OF TECHNOLOGY, WEST BENGAL

BBA-501

FINANCIAL MANAGEMENT-II

Time Allotted: 3 Hours | Full Marks: 70

The questions are of equal value.
The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.

GROUP A
(Multiple Choice Type Questions)

1. Answer any *ten* questions. $10\times1 = 10$

(i) Variable Cost is conventionally deemed to be:

(A) constant in total when production volume changes
(B) constant per unit of output
(C) variable but not directly proportional with the change in the output
(D) unaffected by inflation

(ii) A cost is described as staying the same over a certain activity range and then increases but remaining stable over a revised activity range in the short term is:

(A) a stepped fixed cost (B) a fixed cost
(C) a variable cost (D) a semi-variable cost

(iii) The raw materials issued to a job were overestimated and the excess is being sent back to the materials store. What document is required?

(A) Stores credit note
(B) Stores debit note
(C) Materials transfer note
(D) Materials return note

(iv) In a factory, a team of six maintenance staff are paid a guaranteed weekly wages. Which of the following is the most appropriate cost classification for their wages?

(A) Direct labour cost
(B) Semi-variable cost
(C) Variable overhead cost
(D) Indirect labour cost

(v) Marginal cost is calculated as

(A) The increase in total cost divided by the increase in labour, given the amount of capital
(B) total cost minus total fixed cost
(C) total cost divided by output
(D) the increase in total cost divided by the increase in output

(vi) The time gap between placing an order and getting the same is called

(A) danger time
(B) lead time
(C) ideal time
(D) none of these

(vii) What would happen to a blanket rate if production volumes were increased?

(A) The fixed cost per unit of the product would increase
(B) The unit cost of a product would decrease
(C) The unit cost of a product would increase
(D) The direct cost per unit of a product would decrease

(viii) In absorption costing, what are the allocated costs?

(A) The costs that can be directly associated with a department
(B) Manufacturing costs, which need to be spread over production departments
(C) Manufacturing costs, which need to be spread over products or services
(D) The costs that can be directly associated with a service department

(ix) Which of the following is not considered to be a benefit of activity-based costing?

(A) More accurate product costs
(B) Reduced complexity of calculating costs
(C) Inclusion of non-manufacturing costs
(D) More detailed understanding of what drives cost

(x) Packaging cost is treated as a

(A) Production cost (B) Selling cost
(C) Distribution cost (D) Cost of raw materials

(xi) In ABC analysis, 'A' category indicates the item of material carrying ____________ of the total cost.

(A) 10-20% (B) 70-85% (C) 5-10% (D) 40-50%

(xii) EOQ model is used by a business to

(A) minimize the cost of placing orders
(B) minimize the unit purchase price of inventory
(C) minimize the combine cost of placing orders and carrying inventory
(D) minimize the required amount of safety stock

GROUP B
(Short Answer Type Questions)

Answer any *three* questions. $3 \times 5 = 15$

2. What is Opportunity Cost? Explain with example.

3. What are the advantages and disadvantages of piece rate method of payment of remuneration?

4. A manufacturing company consumes 8000 units of an item per annum. Presently the company follows the policy of purchasing the item in lots of 2000 units. The unit cost of the item is Rs. 30. The cost of placing an order to supplier is Rs. 120 and the inventory carrying cost is 10% per annum on the average inventory value. How much the company can save if it starts buying the item in lots equal to EOQ?

5. Jadu completes a job in 16 hrs. while Madhu takes 15 hrs. to complete the same. Standard time allowed for the job is 20 hrs. The hourly wage rate is same for the workers. Jadu is entitled to bonus per Halsey Plan (50% sharing) and Madhu is entitled to bonus per Rowan Plan. Factory overhead is absorbed @ Rs. 6 per labour hour worked. Factory cost of the job comes to Rs. 2240 irrespective of the worker engaged. Find out the hourly wage rate, cost of raw material and factory overhead included in factory cost in case of both the workers.

6. Following information is available from the records of a company:
Direct materials- Rs. 12000; Direct labour- Rs. 9600; chargeable expenses- Rs. 2400. Works overhead is to be charged @ 50% of direct labour & office overheads @ 10% on works cost. What will be the price of the job if 10% profit is considered on the job price?

GROUP C
(Long Answer Type Questions)

Answer any *three* questions. $3 \times 15 = 45$

7. Bharat Electronics Ltd. furnishes the following information for 10,000 electronic valves manufactured during the year 2014: 7+8

Materials	Rs. 90,000
Direct Wages	Rs. 60,000
Power	Rs. 12,000
Factory indirect wages	Rs. 15,000
Lighting of factory	Rs. 5,500
Defective work rectification	Rs. 3,000
Management Expenses	Rs. 33,500
Selling Expenses	Rs. 5,500
Sale proceeds of scraps	Rs. 2,000
Plant repairs and depreciation	Rs. 11,500

Net selling price was Rs. 31.60 per unit and all the units were sold. As from 1st January' 2015, the selling price was reduced to Rs. 31.00 per unit. It was estimated that production could be increased in 2015 by 50% utilizing spare capacity. Rates for materials and direct wages will increase by 10%.

You are required to prepare:
(a) Cost Sheet for the year 2014, showing various units of cost per unit
(b) Estimated Cost Sheet for 2015 assuming that 15,000 units will be produced and sold during the year. Factory overheads are recovered as a percentage of direct wages and office & management expenses as a percentage of works cost. (Apply the same respective percentages as in the previous year)

8. A company produces 3 products A, B and C, for which the standard cost and quantity per unit have been given below. 7+8

Element	A	B	C
Quantity produced	10,000	20,000	30,000
Direct material per unit	Rs. 50	Rs. 40	Rs. 30
Direct labour per unit	Rs. 30	Rs. 40	Rs. 50
Labour hour per unit	3 hrs.	4 hrs.	5 hrs.
Machine hour per unit	4 hrs.	4 hrs.	7 hrs.
No. of purchased requisition	1200	1800	2000
No. of set up	240	260	300

Production overhead Department-I=11,00,000 and Department-II= 15,00,000. Department worth as labour internship and machine internship.
Total labour hour produced – 1,88,333 and total machine hour – 5,00,000
Production overhead split as per activities-
Department-I-Receiving/inspection = 14,00,000
Department-II-Production scheduling/machine set up = 12,00,000
No. of batches received/inspected = 5000 and no. of batches for scheduling and set-up = 800.
Prepare product cost statement under traditional costing and activity based costing method and compare the result.

9. (a) A transport company maintains a fleet of lorries for carrying goods from Calcutta to Digha, 250 km off. Each lorry, which operates 20 days on an average in a month, starts from Calcutta with a load of 10 tonnes and returns from Digha with a load of 5 tonnes. Total monthly charges for a lorry are Rs. 45,000. What is the cost per ton-km? 7+8

(b) Following are the annual charges of 5 machines in a shop:
Rent: Rs. 9600, Depreciation of each machine: Rs. 1000, Repairs of 5 machines: Rs. 1000, Power consumed @5 paise per unit for the shop: Rs. 6000, Light of the shop: Rs. 1080, salary of attendant (of 5 machines): Rs. 240 p.m., supervisor's salary (of 5 machines): Rs. 500 p.m., sundry supplies for the shop: Rs. 900, each machine uses 20 units of power. Calculate machine hour rate for recovery of overheads.

10. ABC Ltd. manufactures a product which passes through two processes-A and B and then it is transferred to finished stock account. From the following particulars, prepare process accounts and finished stock account. 15

Particulars	Process A	Process B
Raw material used	1000 units	
Cost/Unit	Rs. 200	
Transfer to next Process/finished stock	940 units	870 units
Normal loss on inputs	5%	10%
Direct expenses	75% of direct wages	75% of direct wages
Sundry expenses	nil	Rs. 2954
Scrap per unit	Rs. 4.50	Rs. 5.75

There was no opening or closing W-I-P. 800 units of finished goods were sold at a profit of 20% cost.

11. Write short notes on any *three* of the following: 3×5=15

(a) P/V Ratio
(b) Relationship between Break Even Point and Angle of Incidence
(c) Process Costing
(d) Piece Rate Wage System
(e) Periodic Inventory System