

BBS 2nd Year Model Question Paper 2082

Cost and Management Accounting

Fundamental of Financial Accounting

Standard time for one unit of output is 4 hours

Unit produced	10,000 units
Labour Hours Paid	41,000 hours
Actual rate per hour	Rs.9

Required: Overhead Capacity Variances

10. The following particulars are extracted from the records of a company:

- Beginning and ending number of employees were 200 and 250 respectively.
- Number of employees quit and discharged was 25 and 10 respectively.
- Employees replaced during the period were 30.

Required: Labour Turnover Rate under Separation Method

Short Questions Answer (attempt any five)

(5x10=50)

11. a. Differentiate between variable costing and absorption costing.

(5)

b. The sales forecasts for coming four months of a company are:

Chaitra	Baishak	Jestha	Ashad	Shawan
9,000 units	8,000 Units	9,000 Units	10,000 Units	9,000 Units

Each unit of finished product needs 4 kg of material @ Rs.2 per kg. The company's has a policy of keeping ending inventory of finished goods in each month will be equal to next month's sales and raw material is 50 percent of raw material required to same month's production need.

Required: Production Budget and Material Purchase Budget for the three months from Baisakh to Ashad **(2+3=5)**

12. a. What is Job Order Costing? Also, explain the procedures of Job Order Costing. **(2+3=5)**

b. A company produces two products A and B. Both products are produced on the same equipment and use similar processes. The information for output and the cost of activities are given below:

	Product A	Product B
Output in units	1,000	5,000
Machine hour per unit	5	3
No. of Purchase Orders	80	40
No. of Set-ups	50	30

The indirect cost of the different activities is Rs.400,000 which is apportioned as follows:

Volume Related	50%
Purchase Related	30%
Set-up Related	20%

Required: Cost Per Unit under Activity Based Costing method

(5)

13. The following information regarding labours are:

Standard:

Types	Nos.	Rate per hour	Cost
Skilled	4	Rs.4	Rs.16
Semi-skilled	5	Rs.5	Rs.25
Un-skilled	3	Rs.4	Rs.12

Actual:

Types	Nos.	Rate per hour	Cost
Skilled	3	Rs.5	Rs.15
Semi-skilled	6	Rs.4	Rs.24
Un-skilled	3	Rs.5	Rs.15

During 48 hours a week, the group is expected to produce 10 units per hour. But, in actual group produced only 460 units due to power failure of 3 hours.

Required: Labour Variances

(10)

14. The sales revenue and profit of a manufacturing company for two years were as follows:

Year	Sales Revenue (Rs)	Profit (Rs)
2075	400,000	(10,000)
2076	600,000	10,000

- Required:
- i) Profit volume ratio
 - ii) Fixed cost
 - iii) Brake-even point in Rs.
 - iv) Break-even point in units if selling price per unit is Rs.100
 - iv) Sales to earn desired profit after tax of Rs.15,000 if tax rate is 25%
 - v) Profit when sales are Rs.800,000
 - vi) Margin of safety ratio if actual sales is Rs.800,000

(1+1+2+1+2+1+2=10)

15. "The main objective of inventory management is to supply all kinds of inventory regularly in such a manner that there is no shortage of materials and the production has may not have to be stopped", discuss.

(10)

16. Define flexible budget. Differentiate flexible budget with static budget. (3+7=10)

Long Questions Answer (attempt any two) (2x15=30)

17. The following information up to 30th Magh of a renowned company who undertook a contract for erecting a sewerage treatment plant for Kantipur Metropolitan for a total value of Rs.3,000,000 are provided:

- Material = Rs.400,000
- Wages = Rs.600,000
- Overhead = Rs.200,000
- Plant = Rs.200,000
- Work certified was for Rs.1,400,000 and 25% of the same was retention money
- Material at site as on 30th Magh = Rs.40,000
- Depreciate plant by 15%
- 5% of the value of material issued, 6% of wages and overhead as a percentage of direct wages have been incurred for the portion of the work completed but not yet certified.
- Ignore depreciation of plant for the use on uncertified portion of the work

Required:

- a. Contract Account
- b. Contractee's Account
- c. Work in Progress Account
- d. Balance Sheet

(7+2+2+4=15)

18. The following details are given to you:

Particulars	Process A	Process B	Process C
Raw Material used 10,000 kg	Rs.30,000		
Indirect Material	Rs.15,000	Rs.20,000	Rs.30,000
Labour Cost	Rs.20,000	Rs.20,000	Rs.30,000
Factory Overhead 50% of labour			
Miscellaneous Expenses	Rs.8,000	Rs.12,890	Rs.15,420
Actual output kg	9,500	6,600	5,200
Output transferred to warehouse	20%	20%	100%
Scrap on input	10%	10%	5%
Sale of scrap per Kg.	Rs.2	Rs.4	Rs.5

Required: i) Process Accounts

ii) Normal Loss Account

iii) Abnormal Gain Account

iii) Abnormal Loss Account (9+2+2+2=15)

19. What do you mean by cost reduction? Discuss the nature and scope of cost reduction. Also explain the tools and techniques of cost reduction. (4+6+5=15)

MGT 212: Cost and Management Accounting

BBS 2nd Year

Model Question

Set B

Full Marks: 100

Pass Marks: 35

Candidates are required to give their answer in their own words as far as practicable. The figures in the margin indicate full marks.

Attempt ALL Questions

Brief Questions Answer

(10x2=20)

1. State any two limitations of financial accounting.
2. What is perpetual inventory system?
3. Write any two importance of activity based costing.
4. What is abnormal gain?
5. Define contract account.
6. The following information is available in respect of a material.
 - Maximum stock level = 10,000 units
 - Maximum consumption = 800 units
 - Average consumption = 700 units
 - Delivery period = 10 days – 12 days
 - Re-order level = 12,000

Required: Reorder quantity

7. A worker gets a total wages of Rs.300 for a job after working 20 hours. The wages rate per hour is Rs.12.

Required: Amount of bonus under Rowan Plan

8. Different in cost per unit is Rs.0.4 between 14,000 units and 20,000 units. Total cost for 20,000 units is Rs.15,000.

Required: Cost for 18,000 units

9. The following information for material are given:

- Standard material per unit of output 4kgs
- Standard output 100 units
- Standard price Rs.4 per kg
- Actual output 90 units

- Actual price per kg Rs.4.5
- Actual material used 350kgs

Required: Material Cost Variance

10. The following information are provided to you:

Expected price of product =	Rs.600
Expected discount =	10% on price
Expected production cost of product =	Rs.300
Expected designing cost of product =	Rs.60

Required: Value of product

Short Questions Answer (attempt any five)

(5x10=50)

11. a. Differentiate between cost and management accounting. (5)
 b. AB manufacturing company is engaged in the production of AA and a by-product BB which after further processing has a commercial value. Other information for the products are:

	Joint Costs Rs.	Separate Cost	
		AA (Rs.)	BB (Rs.)
Material	12,000	8,000	1,000
Labour	10,000	6,000	2,000
Overheads	8,000	5,000	1,000

The quantities produced during the period were AA 200 kg and BB 100 kg. The selling price of BB was Rs.120 per kg on which the profit earned was 20% on cost.

- Required: a. Statement showing joint cost to BB
 b. Selling price of AA if profit is 10% on cost (2+3=5)

12. a. What is Batch Costing? Also, explain about the factors determining Batch Costing. (2+3=5)

b. The following are the maintenance cost in a factory for five months with corresponding machine hours:

Months	January	February	March	April	May
Machine Hours	100	200	300	400	500
Repair Cost (Rs.)	300	400	500	600	700

Required:

a. Segregation of Semi Variable Cost using Least Square method.

b. Cost for 800 hours and 1,000 hours.

(3+2=5)

13. KK Ltd is a manufacturing company having three production departments A, B and C and two service departments X and Y. The operating conditions of the departments are given below:

Particulars	Production Departments			Service Departments	
	A	B	C	X	Y
Direct Materials (Rs.)	1,000	2,000	4,000	2,000	1,000
Direct Wages (Rs.)	2,000	2,000	3,000	1,000	1,000
Factory Rent (Rs.)	1,000	500	1,000	500	1,000
Capital value of assets (Rs. in '000)	20	40	20	10	10
Machine hours	2,000	1,000	2,000		
Horse Power of Machine	50	40	20	15	25
Service rendered by Service departments	40%	30%	30%	-	-

The overheads extracted from the books of the company are as under:

Power	Rs 3,000
Depreciation	Rs 10,000
Other overheads	Rs 18,000

Required: a) A statement showing overheads distribution to departments

b) Machine hour rate of the production departments.

(8+2=10)

14 Following are the information of a renowned Hotel in Kathmandu

- Total number of single rooms = 20
- Total number of double rooms = 10

Annual Expenses (Rs.) summary:

- Medical staff salaries = 100,000 per month
- Administrative staff salaries = 50,000 per month

- Other helpers salaries = 25,000 per month
- Lighting and heating = 150,000 per annum
- Repair and maintenance = 50,000 per annum
- Depreciation of buildings = 5% of Rs.5,000,000
- Depreciation of other fixed assets = 15% of Rs.1,000,000
- Insurance = Rs.10,000 per month
- Miscellaneous = Rs.200,000 per annum

Occupancy ratio:

- For 4 months = Single rooms 100%
Double rooms 80%
- For 8 months = Single rooms 70%
Double rooms 50%

Profit margin 25% on cost

Assume that the double room shall be regarded as 1.5 of the single room for fixing the rate of the room.

Required:

- Operating cost statement
 - Room charge for single and double room per day
- 15 "Standard costing is a technique of applying standard cost for the purpose of cost control," comment. (10)
- 16 "Budget is an estimate for future activities according to an ordinary way covering some or all of the activities of an organization for definite period of time," discuss. (10)

Long Questions Answer (attempt any two)

(2x15=30)

17. AB manufacturing company with normal capacity of 35,000 units provides the following particulars for the year ending:

	2075	2076
Production units	30,000	40,000
Sales units	35,000	32,000
Variable manufacturing cost per unit		Rs.5
Fixed manufacturing cost per unit		Rs.2
Variable selling and administrative cost per unit		Rs.2
Fixed selling and administrative cost		Rs.40,000
Selling price per unit		Rs.15

Required:

- Income statement for both years under internal and external reporting system
- Reconciliation statement (6+6+3=15)

18. Product AB passes through two processes A and B before it is transferred to finished stock. The following information is obtained for the month of January:

	Process A (Rs.)	Process B (Rs.)	Finished Stock (Rs.)

Opening Stock	14,000	18,000	45,000
Direct Material	25,500	26,000	-
Direct Wages	27,900	28,000	-
Factory Overhead	21,000	9,000	-
Closing Stock	7,400	9,000	22,500
Inter-process profit included in Opening Stock	-	3,000	16,500

The output of process A is transferred to process B at 25% profit on the transfer price.

The output of process B is transferred to finished stock at 25% profit on cost price.

The stock in process are valued at prime cost. The finished stock is valued at the price at which it is received from process B . Sales during the period are Rs.300,000

Required:

- a. Process Account
- b. Finished Stock Account
- c. Actual realized profit
- d. Stock valuation for Balance Sheet purpose (5+5+3+1+1=15)

19. "Cost volume profit analysis is an important managerial tool showing the relationship between cost, selling price, profit and volume of activity," explain. Also, write down the limitations of cost volume profit analysis. (8+7=15)

MODEL QUESTION – 2022

BBS / 4 Years Programme / II Year Fundamentals of Financial Management (MGT 215)	Full Marks :100 Pass Marks : 35 Time : 3 hrs.
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Candidates are required to give their answers in their own words as far as practicable. The figures in the margin indicate full marks.

Group – A

Brief Answer Questions.

Attempt *ALL* Questions.

[10 x 2 = 20]

1. What do you mean by financing decision?
2. What is discounting, and how is it related to compounding?
3. Define the term coefficient of variation. What does it measure?
4. What is meant by capital structure?
5. Write the meaning of mutually exclusive project with example.
6. How does a firm's investment opportunity affect its dividend policy?
7. Annapurna company is expected to pay a Rs 15 per share dividend at the end of the year. The dividend is expected to grow at a constant rate of 8 percent a year forever. The required rate of return on the stock is 15 percent. What is the stock's current value per share?
8. A company's operating profit is Rs 500,000. It has 10% debenture worth Rs 2,000,000. The company has no preferred stock. What is the company's degree of financial leverage?
9. A company's expected sales is 30,000 units for this year. It has a policy of 10 days as a safety stock level and the lead-time is 15 days. What is the re-order point for the firm? Assume 360 days in a year.
10. Herbo Manufacturing Company's inventory conversion period is 90 days, and an average collection period is 60 days. Account payable is paid approximately 30 days after they arise. Calculate the firm's operating cycle and cash conversion cycle.

Group – B

Descriptive Answer Questions.

Attempt any *FIVE* questions.

[5 × 10 = 50]

11. What is working capital? Explain the major factors affecting size of working capital.
12. The management of Happy Tours & Travel Limited decided to buy a printer taking a loan of Rs 100,000 for 3 years from Bank of Kathmandu. The loan bears an annual interest of 10 percent and calls for equal annual installment payments at the end of each of the 3 years.
 - a. Calculate amount of annual payment.
 - b. Prepare loan amortization schedule.
 - c. Calculate equal monthly installment (EMI).

[3+4+3]

13. a. Describe the ratios used for analyzing short-term financial position of a firm. [5]
b. Using the following information, complete the balance sheet that follows (Assume 360-day year in your calculation) [5]

Long-term debt to net worth	0.5 to 1	Total assets turnover	2.5 times
Average collection period	18 days	Gross profit margin	10%

Quick ratio 1 to 1
Inventory turnover (Cost of goods sold/Inventory) 9 times

Balance Sheet			
Cash	—	Notes payable	Rs 100,000
Accounts receivable	—	Long-term debt	—
Inventory	—	Common stock	100,000
Plant and equipment	—	Retained earnings	100,000
Total assets	—	Total liabilities and equity	—

14. Suppose SS Company sold an issue of bonds with a 10-year maturity, a Rs 1,000 par value, a 12 percent coupon rate, and annual interest payments. Market interest rate is 15 percent.

- Calculate value of bond at present. Would you purchase the bond if it is trading at Rs 950.
- If actual price of the bond in the market is Rs 1100, calculate approximate yield to maturity. [6+4]

15. Lalitpur Engineering Company (LEC) has the following capital structure, which it considers to be optimal:

Debt	25%
Preferred stock	15
Common equity	60
	100%

LEC's is in 40 percent tax bracket. Investors expect future earnings and dividends to grow at a constant rate of 5 percent per year forever. LEC paid a dividend of Rs 20 per share last year, and its stock currently sells for Rs 210 per share. New common stock can be sold for Rs 200 per share. Preferred stock can be sold with a dividend of Rs 12 to the public at a price of Rs 95 per share. Debt can be sold at an interest rate of 10 percent.

- Calculate the cost of each capital component.
- Calculate the weighted average cost of capital (WACC) assuming equity requirement is fulfilled from retained earnings only. [6+4]

16. Excel Sporting Company has reported the following information for the year 2021:

Net Income	Rs 5,000,000
Number of shares outstanding	100,000
Market price per share	Rs 300

Required:

- The company had a 20 percent dividend payout ratio in 2020. If Excel wants to maintain this payout ratio in 2021, what will be its per-share dividend in 2021?
- Company had paid Rs 15 dividend per share in 2020. As an alternative to maintaining the same dividend payout ratio, Excel is considering maintaining the same per-share dividend in 2021 that it paid in 2020. If it chooses this policy, what will be the company's total dividend and dividend payout ratio in 2021?
- If Excel declares 20 percent stock dividend instead of cash dividend in 2021, what will be number of shares outstanding and stock price after stock dividend? [3+3+4]

Group – C

Analytical Answer Questions.

Attempt any *TWO* questions.

[2 × 15 = 30]

17. Describe the wealth maximization goal of a firm. Why is wealth maximization a superior goal to profit maximization? Explain. [5+10]
18. Consider the probability distribution of alternative rates of return associated with Stock A and Stock B given in the following table.

State of economy	Probability	Stock A	Stock B
1	0.3	10%	30%
2	0.4	15	20
3	0.3	20	10

- a. Calculate the expected return and standard deviation of Stock A and Stock B.
- b. What are the covariance and correlation coefficient between Stock A and Stock B?
- c. If you form a portfolio of Stock A and Stock B comprising 40 percent wealth in Stock A and the rest in Stock B, calculate the risk and return your portfolio.
- d. Would you investment in Stock A or Stock B or the portfolio? Why? [4+4+4+3]

19. Following are the cash flows of mutually exclusive projects:

Year	0	1	2	3	4
Project M (Rs)	(500,000)	200,000	200,000	200,000	200,000
Project N (Rs)	(500,000)	100,000	200,000	300,000	300,000

Suppose you are the Project Manager and you have to recommend one of these projects for the approval of the Board of Directors. The required rate of return on the projects is 10 percent.

- a. Calculate the payback period, net present value (NPV) and internal rate of return (IRR) of each project.
- b. Which project would you accept? Why?
- c. Does any conflict exist in the results given by the above ranking methods? Which decision criterion would you follow if the confliction exists? Why? [10+2+3]

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