GALGOTIAS UNIVERSITY

ADMISSION NUMBER

School of Business

Bachelor of Business Administration
Semester End Examination - Jun 2024

Duration : 180 Minutes
Max Marks : 100

Sem II - D1UA205T - D1UA202T- Management and Cost Accounting

General Instructions
Answer to the specific question asked
Draw neat, labelled diagrams wherever necessary
Approved data hand books are allowed subject to verification by the Invigilator

1) Summarize the distinction between direct and indirect costs in cost accounting, detailing how they relate to specific activities, products, or services within an organization. K2(4)

2) Outline how does a company utilize marginal costing to determine the cost of producing one additional unit of a product? K2(4)

3) Determine the role of management accounting in strategic planning and goal setting within organizations. What specific tools and techniques does management accounting provide to facilitate strategic decision-making and setting of objectives for organizational growth and success? K5(5)

4) A Company annually Manufactures and sells 20,000 units of a product, the selling price of which is Rs.50 and profit earned is Rs.10 per unit. K2(6)

The analysis of cost of 20,000 units is:

Particulars	Amount
Material Cost	3,00,000
Labour Cost	1,00,000
Overheads	4,00,000 (50% variable)

You are required to compute:

1. Break even Sales in Units and in Rupees.
2. Sales to earn a profit of Rs.3, 00,000.
3. Profit when 15,000 Units are sold.

5) A manufacturing company in India produces widgets. The following information pertains to its production and cost data for the month of K3(6)

January:

Particulars	Amount (in INR)
Direct materials	50,000
Direct labor	30,000
Variable manufacturing overhead	20,000
Fixed manufacturing overhead	40,000
Beginning finished goods inventory	10,000
Ending finished goods inventory	15,000
Units produced	1,000 units
Units sold	800 units

Using absorption costing, calculate the following:

1. Total manufacturing cost per unit.
2. Cost of goods sold (COGS) for the month.
3. Operating income for the month.

6) Scenario: K4(8)

ABC Manufacturing Company recently received an order to produce a custom-built dining table for a prestigious client. The table requires special materials and intricate carving, making it a labor-intensive project. The production team estimates that the table will take 50 hours of direct labor and $2,000 worth of materials to complete. Additionally, indirect costs such as overhead expenses are allocated based on direct labor hours. Analyze the following Questions:

1) Discuss the potential limitations of using single unit costing in determining the profitability of custom-designed furniture projects like the one described in the case. 4Marks

2) Discuss strategies ABC Manufacturing could employ to reduce overhead expenses associated with this project. 4Marks

7) Construct a framework to demonstrate how single-unit costing is instrumental in providing critical insights for decision-making. Include practical examples showcasing its role in evaluating pricing strategies, identifying opportunities for cost reduction, and making informed investment decisions. K3(9)

8) Title: Streamlining Operations and Cost Management with Standard Costing: A Case Study of Air India K3(9)

Introduction:

Air India, the national flag carrier of India, operates in a highly competitive aviation industry characterized by volatile fuel prices, fluctuating demand, and intense competition. To address the challenges of cost management and operational efficiency, Air India has implemented standard costing techniques across its diverse range of flight operations, including domestic and international routes. This case study examines how Air India utilizes standard costing to optimize cost control, enhance decision-making, and maintain competitiveness in the global aviation market.

Case Scenario:

Air India operates a vast fleet of aircraft, serving passengers across various destinations worldwide. With the goal of maximizing profitability while ensuring safety and service quality, the airline relies on standard costing as a fundamental tool for cost management. By establishing predetermined cost standards for fuel consumption, maintenance, crew salaries, and other operational expenses, Air India aims to achieve greater transparency, accuracy, and control over its operating costs. Standard costing enables the airline to monitor actual costs against predetermined standards, identify variances, and take corrective actions to improve cost efficiency and performance. Solve the following questions:

1) What factors influence the setting of standard costs, considering the dynamic nature of the aviation industry, including fuel price fluctuations and regulatory changes? (3Marks)

2) How does standard costing assist Air India in monitoring and controlling operating costs across its flight operations? (3Marks)

3) What measures were taken to ensure the alignment of standard costing practices with Air India's strategic objectives, corporate culture, and regulatory requirements, while fostering employee buy-in and collaboration across departments? (3Marks)

9) "Interpreting the margin of safety aids in formulating strategies to navigate uncertainty and market volatility." Critically appraise the statemement. K5(10)

10) *PQR Ltd. has furnished the following data for the two years:* K4(12)

	2021-22	**2022-23**
Sales	*₹8,00,000*	*?*
Profit/Volume Ratio (P/V ratio)	*50%*	*37.5%*
Margin of Safety sales as a % of total sales	*40%*	*21.875%*

There has been substantial savings in the fixed cost in the year 2022-23 due to the restructuring process. The company could maintain its sales quantity level of 2021-22 in 2022-23 by reducing selling price.

You are required to CALCULATE the following:

(i) Sales for 2022-23 in Value,

(ii) Fixed cost for 2022-23 in Value,

(iii) Break-even sales for 2022-23 in Value.

11) XYZ Company manufactures a product ABC by mixing three raw materials. For every 100 Kgs. of ABC 125 Kgs raw materials are used. In April, 2004, there was an output of 5,600Kgs. of ABC. K4(12)

The standard and actual particulars of April 2004 are as follows:

Raw Material	Standard		Actual	
	Mix	Price per Kg.	Mix	Price per Kg.
	%	Rs.	%	Rs.
I	50	40	60	42
II	30	20	20	16
III	20	10	20	12

Calculate all variances.

12) Case Study: Era Constructions Limited K5(15)

Background:

Era Constructions Limited is a leading construction company known for its excellence in delivering high-quality infrastructure projects. With a diverse portfolio ranging from residential complexes to commercial buildings and infrastructure development, Era Constructions has established a strong reputation in the industry. As the company expands its operations, effective management of contracts becomes crucial to ensure profitability and project success.

Contract Costing Implementation:
Recognizing the significance of accurate cost management, Era Constructions Limited implemented a comprehensive contract costing system. This system aims to meticulously track expenses, monitor project budgets, and evaluate profitability on a project-by-project basis. By employing advanced software solutions tailored to the construction industry, Era Constructions has streamlined its contract costing processes, enhancing transparency and efficiency throughout the organization.

Challenges Faced:
Despite the implementation of sophisticated contract costing measures, Era Constructions encountered several challenges. These included fluctuating material costs, unexpected project delays, and variations in labor productivity. Additionally, managing subcontractors and adhering to strict project timelines posed significant hurdles in maintaining cost control and ensuring profitability.

Discuss the following Questions:

1) How does Era Constructions Limited ensure accurate estimation of project costs before initiating a contract? (3 Marks)
2) What strategies does Era Constructions employ to mitigate the impact of fluctuating material costs on project budgets? (3 Marks)
3) How does Era Constructions effectively monitor and control labor expenses across multiple construction projects? (3 Marks)
4) What measures are implemented by Era Constructions to manage subcontractors and ensure compliance with project requirements? (3 Marks)
5) In what ways does Era Constructions utilize data analytics and reporting tools to evaluate project profitability and identify areas for cost optimization? (3 Marks)