Enrolment No. _____

AHMEDABAD UNIVERSITY

AMRUT MODY SCHOOL OF MANAGEMENT

UNDERGRADUATE PROGRAMMES

2025-2026 MONSOON SEMESTER

END SEMESTER EXAMINATION

FAC215 COST & MANAGEMENT ACCOUNTING

Date: 06-12-2025 Total Marks: 30

Time: 2.00 pm – 4.15 pm No. of printed pages: 04

General Instructions:

1. Students must carry their identity card during the examination.
2. No break is allowed during the examination under any circumstances. In case of an emergency, with prior permission of the invigilator and an escort, a break of maximum five minutes is allowed.
3. No unauthorized devices, such as mobile phones, any kind of watches, other gadgets, or any kind of material is allowed on person.
4. Any violation of examination rules and an intent of malpractice will lead to strict disciplinary action, including a possible expulsion from the university.

Course Specific Instructions:

1. There are six questions in this question paper.
2. All six questions are compulsory.
3. Please start new question on new page.
4. Use of calculator is allowed.
5. Necessary working should form part of your answer.
6. Academic dishonesty is strictly prohibited, and any such behaviour will have strict consequences.

Que:1 **(04 Marks)**

Laalo is a very famous manufacturer of a digital health band brand named "HiHealth" and his products are very well respected and highly demanded by consumers in Gujarat. Laalo has accounting degree from Girnar University. He understands the importance of standards for production control and planning. The following standard cost data is available for the current accounting period.

Actual Fixed Overheads	Rs. 10,50,000
Actual Variable Overheads	Rs. 66,81,000
Budgeted Fixed Overheads	Rs. 11,00,000
Variable Overhead Absorption Rate per hour	Rs. 125
Fixed Overhead Absorption Rate per hour	Rs. 20
Standard hours allowed for actual production	52,400 hours
Actual hours used	52,000 hours

A student of Girnar University who has recently completed a course on Cost & Management Accounting has joined his company as an intern and is assisting him in production planning and control. Both have decided to calculate Variable and Fixed Overhead Variances to assess the present situation to exercise effective control. Being a student of the similar course at Ahmedabad University, you are required to calculate:

1. Variable Overhead Cost Variance
2. Variable Overhead Expenditure Variance
3. Variable Overhead Efficiency Variance
4. Fixed Overhead Cost Variance
5. Fixed Overhead Expenditure Variance
6. Fixed Overhead Volume Variance
7. Fixed Overhead Capacity Variance
8. Fixed Overhead Efficiency Variance

Que:2 **(06 Marks)**

RareEarth is a giant manufacturer of some speciality natural materials and has a portfolio of many such specialities which is manufactured by mixing two or more varieties of rare earth materials. A speciality natural material named RE101 is their flagship product which is manufactured by mixing R1 and E01 raw materials.

The following data is available from their records and represents standard set of consumption.

Raw material	Standard Mix (%)	Standard Price Per Kg.
R1	40	50
E01	60	40

RareEarth has estimated that for RE101, the standard loss of 14% of input in the production process is considered normal. The production records of RareEarth reveals that the company has manufactured 4,300 kg of RE101 during November, 2025. The actual consumption data for the same is follows:

Raw material	Actual Quantity	Actual Price Per Kg.
R1	2,100 Kg.	52
E01	2,950 Kg.	36

Assuming that standard costing system is in place at RareEarth, you are required to calculate all possible Material Variances for RareEarth.

It is expected that out of Material Price, Mix, Yield, Usage and Cost Variances you have calculated, you are required to discuss reasons for Adverse Material Usage Variance.

Que:3 **(04 Marks)**

Nvidia Limited has furnished the following information relating to past two recent years.

Particulars	2023	2024
Sales in Rs.	12,00,000	18,00,000
Total Cost in Rs.	10,20,000	13,80,000
Profits in Rs.	1,80,000	4,20,000

Using the fundamentals concepts of Marginal Costing, you have to:

1. Determine the annual Break-Even Sales of the Company and Margin of Safety for the year 2023 and 2024

2. It is expected that Fixed Costs will increase by Rs. 1,00,000 in the year 2025. There will be no change in the rate of variable costs. The company intends to increase its profits by 50% in the year 2025 as compared to the profits earned in the year 2024.
   How much Sales in Rs. is required in the year 2025 to enable the company to achieve the targeted increase in the profits

Que:4 **(06 Marks)**

SoundTech Limited manufactures a single product named BlueTooth Speaker with a capacity of 3,00,000 Units per annum. The following is the summarised profitability statement for the previous year ending on 31st March 2025.

Particulars	Amount Rs.	Amount Rs.
Sales: 2,00,000 BlueTooth Speaker Units @ Rs. 1,000 each		20,00,00,000
Less: Variable Costs		
Variable Production Cost	7,50,00,000	
Variable Selling Overheads	50,00,000	8,00,00,000
Less: Fixed Costs		
Fixed Production Overheads	80,00,000	
Fixed Administration Overheads	2,00,00,000	
Fixed Selling & Distribution Overheads	2,00,00,000	4,80,00,000
Profits		**7,20,00,000**

As you have secured A+ grade in the course of Cost and Management Accounting, before you are appointed as a senior intern, You have been asked to advise the management of the company on the following:
(Each Question is to be considered independent and separate)

1. What will be the amount of sales required to earn a target profit of 25% on Sales, if the packing of the product BlueTooth Speaker is improved at a cost of Rs. 100 per unit?
2. If an expenditure of Rs. 4,00,00,000 is made on large scale advertisement of BlueTooth Speaker, the sales would increase from its present level of 2,00,000 Units to 2,40,000 Units at a price of Rs. 1,200 per Unit. Will that expenditure be justified?
3. If the Selling Price is reduced by Rs. 150 per Unit, there will be 100% capacity utilisation? Will the reduction in Selling price be justified?

Que:5 **(04 Marks)**

Crypto Limited is currently operating at 75% of its capacity. In the past two years, the level of operation was 55% and 65% respectively. Presently, the production is 1,50,000 Units. The company is planning for 85% capacity level in normal-case scenario or 95% capacity level in best-case scenario in the year 2026-2027.

The details of Costs are as follows:

Particulars	Capacity Utilisation		
	At 55%	At 65%	At 75%
Direct Materials	22,00,000	26,00,000	30,00,000
Direct Wages	11,00,000	13,00,000	15,00,000
Factory Overheads	6,20,000	6,60,000	7,00,000
Selling Overheads	6,40,000	7,20,000	8,00,000
Administration Overheads	3,20,000	3,20,000	3,20,000
Total	**48,80,000**	**56,00,000**	**63,20,000**

Help the management to Prepare a Flexible Budget for the period 2026-2027 for normal-case scenario and best-case scenario. You have to Calculate Total Cost as well as Per Unit Cost for the both case scenario.

(06 Marks)

Que:6

Budget Committee of GenZ Clothing Limited is working on preparing various budgets for the calendar year 2026. They have supplied some of the following financial information relating to 4th Quarter of calendar year 2026.

Month	Total Sales Rs.	Purchases Rs.	Wages Rs.	Factory Overheads Rs.	S & D Overheads Rs.
August	5,00,000	5,00,000	1,00,000	80,000	20,000
September	5,50,000	3,50,000	1,10,000	82,500	22,500
October	7,00,000	3,50,000	1,15,000	85,000	22,500
November	9,00,000	5,50,000	1,15,000	87,500	25,000
December	7,50,000	5,00,000	1,00,000	80,000	22,500

Additional Information:

1. Assume cash balance as on 1st October, 2026 to be Rs. 5,00,000.
2. Assume cash sales to be 50% of total sales.
3. Sales commission @ 5% on total sales is to be paid within a month of following actual sales.
4. An old machine was sold for Rs. 3,00,000 in the month of October.
5. A new machine is to be installed on 1st November, 2026 at Rs. 4,50,000 on hire purchase agreement. The amount is to be repaid in three equal installments. The installments are to be repaid at the end of the months November, December & January.
6. Time Lag:
   a. Credit Sales – 1 month
   b. Credit Purchases – 2 months
   c. Overheads – 1 month
   d. Wages – ¼ month.
7. Company desires to maintain a cash balance of Rs. 4,00,000 at the end of each month. Any surplus/deficit can be invested/borrowed in the multiples of Rs. 5,000 in 10% Government Bonds. (Interest rate is to be ignored)

You have been asked to Prepare a Cash-budget for three months ending on 31st December, 2026 based on the information supplied by GenZ Clothing Limited.

Your calculation should also clearly indicate the amount of cash surplus or cash deficit which the company need to handle every month while planning cash management through preparation of cash budget.

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