**Cost & Management Accounting**

**April 2025 Examination**

**Q1. The stock in hand of material as on 1st September was 500 units at Rs. 10 per unit. The following purchases and issues were subsequently made. Prepare the Stores Ledger Account showing how the value of the issues would be recorded under FIFO method. (10 Marks)**

**Purchases**

**6th Sept. 100 units at Rs. 11**

**20th Sept. 700 units at Rs. 12**

**27th Sept. 400 units at Rs. 13**

**13th Oct. 1,000 units at Rs. 14**

**20th Oct. 500 units at Rs. 15**

**17th Nov. 400 units at Rs. 16**

**Issues**

**9th Sept. 500 units**

**22nd Sept. 500 units**

**30th Sept. 500 units**

**15th Oct. 500 units**

**22nd Oct. 500 units**

**11th Nov. 500 units**

**Ans 1.**

**Introduction**

Cost and Management Accounting plays a crucial role in tracking, controlling, and optimizing the costs associated with production and inventory management. One of the key aspects of inventory valuation in cost accounting is the application of different costing methods to assess the value of issued stock. Among various inventory valuation methods, the **First-In-First-Out (FIFO) method** is widely used to ensure that older inventory costs are charged to production or sales first, reflecting a more accurate valuation of stock.

FIFO assumes that materials received first are issued first, ensuring that the remaining stock in hand consists of the latest purchases. This method is particularly useful in industries where

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**Q2. Discuss the role of management accounting in shaping strategic decisions within an organization. Provide examples of how management accounting practices can influence long-term planning and sustainability. (10 Marks)**

**Ans 2.**

**Introduction**

Management accounting plays a crucial role in modern businesses by providing essential financial and non-financial data that supports strategic decision-making. It focuses on analyzing costs, forecasting financial trends, budgeting, and evaluating business performance. Unlike financial accounting, which primarily serves external stakeholders, management accounting is an internal tool that helps organizations align their operations with long-term strategic goals.

The ability to make data-driven decisions is a key competitive advantage in today’s dynamic business environment. Organizations use management accounting to assess profitability,

**Q3 (a) Calculate Break-Even Point from the following particulars. Fixed Cost Rs.1,50,000**

**Variable cost per unit Rs.10**

**Selling price per unit Rs.15 (5 Marks)**

**Ans 3a.**

#### **Introduction**

The break-even point (BEP) is a critical financial metric that helps businesses determine the level of sales required to cover total costs, ensuring no profit or loss. It represents the point at which total revenue equals total expenses. Understanding BEP is essential for businesses as it aids in pricing decisions, cost control, and profit planning. By calculating the break-even point, organizations can set realistic sales targets, plan cost structures, and analyze their financial

**Q3 (b) Analyze the differences between standard costing and budgetary control. How do these tools help in managing operational performance within an organization? (5 Marks)**

#### **Ans 3b.**

#### **Introduction**

Standard costing and budgetary control are essential tools in cost management and performance evaluation within organizations. Both approaches help in setting financial benchmarks and tracking deviations to improve efficiency. While standard costing focuses on establishing pre-determined costs for products or services, budgetary control involves planning and monitoring overall financial performance based on projected figures. These tools enable businesses to