

CMA TEST- 1 (Solution)		
Time Allowed: 50 mint.	December 9, 2018	Total Marks: 30 Marks

Answer to Question no.1: Operating Costing v/s Operation Costing

- (1) Operating costing is a method of costing for those industries which are engaged in providing services to their customers. Operation costing (Process Costing) is method of costing for those undertakings where total manufacturing process is divided into suitable numbers of process (operations)
- (2) In operating costing, we ascertain the cost of providing the services (transport, hotel, cinema, canteen etc.). In operation costing, we ascertain :-
 - a) Cost Incurred in a particulars process
 - b) Cost incurred upto the end of a particular process.
 - c) Total cost of all process taken together.
- (3) In operating Costing, the expenses are classified into standing charges or running expenses for control purposes. In operation costing, the expenses are classified as a direct material , direct labour, direct expenses and production overheads.
- (4) In operating Costing, the activity of cost control is analysed from the point of view of fixed cost v/s variable cost. Only variable cost is considered to be dependent upon running aspect. In operation costing, the activity of cost control is analysed from the point of view of stages or operations. We can re- evaluate and re- examine the situation at the end of each process.

Answer to Question no.2:

I. Net Operating Income per Flight

Particulars	₹
Amount to be collected per flight (60% of 160= 96 Passengers × 7,000)	6,72,000
Less: Fixed cost per flight	
1. Aircraft	3,50,000
2. Crew Payment	72,000
3. Fuel	<u>95,000</u>
	5,17,000
Less: Variable Cost per Flight	
1. Commission	33,600
2. Food	<u>12,480</u>
	46,080
Operating Income per Flight	1,08,920

II. Evaluation of the decision regarding reduction in fare:

Particulars	₹
Amount to be collected per flight (108 × 6,720)	7,25,760
Less : Fixed Cost	<u>(5,17,000)</u>
	2,08,760
Variable Cost :	
Commission	36,288
Food	<u>14,040</u>
	(50,328)
Operating Income per Flight	1,58,432

The Proposal may be accepted by the management and it will lead to increase in operating income per flight to the extent of ₹49,150.

III. Evaluation of the decision regarding proposal received from Travel agency:

Particulars	₹
Amount proposed to be received	5,00,000
Less: Fixed cost per flight	
4. Aircraft	3,50,000
5. Crew Payment	72,000
6. Fuel	<u>NIL</u>
Less: Variable Cost per Flight	4,22,000
3. Commission	<u>NIL</u>
4. Food	<u>NIL</u>
Operating Profit / Income per Flight	78,000

We are observing that the operating income of 78,000 per flight as computed above is less than existing level of operating income. Hence, the proposal may not be accepted by the management.

Answer to Question no.3:

No. of Passengers = $32 \times 70\% = 22.4$

No. of Kms p.a. = $10 \text{ trips} \times 2 \text{ ways} \times 30 \text{ kms} \times 25 \text{ days} \times 12 \text{ months} = 1,80,000$

So, Total Number of Passenger-Kms p.a. = $22.4 \times 1,80,000 = 40,32,000$

Statement of Operating Costs and Revenues per annum

Particulars	Total (₹)	Per Passenger- Kms (₹)
Standing Charges		
Insurance	15,600	
Garage Rent (₹ 2,400 per quarter × 4 quarters)	9,600	
Road Tax	5,000	
Repairs Fixed (₹ 4,800 per quarter × 4 quarters)	19,200	
Salary (₹ 7,200 per month × 12 months)	86,400	
Tyres & Tubes (₹ 3,600 per quarter × 4 quarters)	14,400	
Depreciation	68,000	2,18,200/40,32,000
	2,18,200	= 0.0541
Running expenses		
Diesel (1,80,000 kms/5 kms × ₹ 13 per litre)	4,68,000	0.1161
Oil and sundries (1,80,000 kms/100 kms × ₹ 22 per litre)	39,600	0.0098
Total cost	7,25,800	0.18
Profit (25% of total takings)	3,42,358	0.0849
Passenger tax (22% of total takings)	3,01,275	0.0747
Total takings	13,69,433	0.34 (approx.)

Computation of total takings

Let total takings = ₹ x

We know that, Total cost + profit + passenger tax = Total taking

$$7,25,800 = ₹ x - 0.25x - 0.22x$$

On Solving,

$$\text{We get } x = \frac{7,25,800}{0.53} = ₹ 13,69,433.$$

Hence, One-Way Fare per Passenger = $30 \text{ km} \times ₹ 0.34 = ₹ 10.20$

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Answer to Question no.4:

Computation of Rooms – Days

Types	Basis	Rooms - days
Single rooms	100 rooms per day × 360 days	36,000
Double rooms	40 rooms per day × 360 days	14,400
Triple room	18 rooms per day × 360 days	6,480
		56,880

Operating cost statement

Particulars	Amount (₹)
Staff salaries	14,25,000
Room attendants' wages	4,50,000
Lighting, heating and power	2,15,000
Repairs and renovation	1,23,500
Laundry charges	80,500
Interior decoration	74,000
Sundries	1,53,000
Total cost excluding building rent	25,21,000
(+) Building rent	
- Fixed amount (10,000 × 12)	1,20,000
- 5% of takings	1,76,066
Total cost	28,17,066
Profit (20% of takings)	7,04,267
Takings	35,21,333

Assume, Total Takings = ₹ x

Now, Total cost excluding Building rent + Building rent + Profit = Takings

$$₹ 25,21,000 + (1,20,000 + 5\% \text{ of } x) + 20\% \text{ of } x = x$$

Solving, we get $x = 35,21,333$. **Assume**, rent per room per day

Single room = ₹ x	Double room = ₹ $2.5x$	Triple room = ₹ $5x$
Total collections: -		
Single room = 36,000 rooms -days × ₹ x per room per day		
Double room = 14,400 rooms -days × ₹ $2.5x$ per room per day		
Triple room = 6,480 rooms -days × ₹ $5x$ per room per day		
Total collections = $36,000x + 36,000x + 32,400x = 1,04,400x$		
$\Rightarrow 1,04,400x = ₹ 35,21,333$. Hence , $x = ₹ 33.73$. Therefore , rent per room per day		
Single room = ₹ $x = ₹ 33.73$	Double room = ₹ $2.5x = ₹ 84.32$	Triple room = ₹ $5x = ₹ 168.65$