# IV Semester B.B.M. Examination, April/May 2015
## (2013-14 & Onwards)
## (F+R)
## Business Management
## Paper – 4.6 : COST ACCOUNTING

Time : 3 Hours Max. Marks : 100

***Instruction**: Answers must be written in **English** only.*

SECTION – A

1. Answer **any eight** of the following sub-questions. **Each** subquestion carries **2** marks. (8×2=16)

   a) What is prime cost ?

   b) State any two points of differences between Cost Accounting and Financial Accounting.

   c) Calculate EOQ from the following information. Annual usage 2400 units, buying cost per order Rs. 4 cost per unit Rs. 2.40 carrying cost 12%.

   d) What is scrap ? Give an example.

   e) What is idle time ?

   f) What is labour turnover ?

   g) Mention the basis of apportionment for the following expenses :

      i) Rent ii) Depreciation

      iii) Electricity charges iv) Canteen expenses.

h) Give two examples of Fixed overheads.

i) Mention any 4 pure Financial items of expenses.

j) How is overvaluation of opening stock adjusted while Reconciling Cost and Financial Accounts ?

SECTION – B

Answer **any three** of the following : **(3×8=24)**

2. Distinguish between Cost and Financial Accounting.

3. Compute Machine Hour Rate of one machine from the following particulars.

Rent and Taxes (for 9 months) : ₹ 5,400

Supervision Charges (for 3 months) : ₹ 6,000

Insurance (for 6 months) : ₹ 300

Lighting (for one month) : ₹ 100

Repair Charges (per annum) : ₹ 2,000

Power Consumption : 5 units per hour

Power Charges : ₹ 50 for 250 units

Cost of Machine : ₹ 45,000

Scrap Value : ₹ 5,000

Life of Machine : 10 years

Machine works for 2,400 hours per annum. This machine occupies half of the total area of the factory. Supervisor spends $^{1}/_{6}$th of his time for this machine. Lighting charges must be apportioned on the basis of area occupied.

4. A worker produced 200 units in a week's time. The guaranteed weekly wage payment for 45 hrs is ₹ 81. The expected time to produce one unit is 15 minutes which is raised further by 20% under the incentive scheme. What will be earnings per hour of that worker under Halsey (50% sharing) and Rowan bonus schemes ?

5. From the following particulars relating to material 'X' find :
   1) Re-order level
   2) Maximum level
   3) Minimum level
   4) Average stock level.

Normal usage – 50 units per week

Minimum usage – 25 units per week

Maximum usage – 75 units per week

Re-order Quantity – 400 units

Re-order period 4 – 6 weeks.

## SECTION – C

Answer Question No. **10** and **any three** of the remaining questions. **Each** question carries **15** marks.

**(4×15=60)**

6. Prepare Stores Ledger under FIFO and LIFO method, from the following information :

2015 1st March 250 units @ ₹ 1.00 per unit

3rd March 50 units material issued M.R. No. 61

6th March 800 units material received wide goods received Note No. 13 @ ₹ 1.20 p.u.

| | | |
|---|---|---|
| 7th March | Issued 300 units M.R. No. 63 |
| 8th March | Returned to stores 20 units issued on M.R. No. 61 |
| 9th March | Issued 100 units M.R. No. 102 |
| 15th March | 200 units received on G.R. Note No. 96 @ ₹ 1.00 per unit |
| 26th March | Issued 150 units M.R. No. 130 |

7. A firm has three production departments A, B and C and two service departments X and Y. The following figures are extracted from the books of the firm.

Depreciation ₹ 4,000, Indirect wages ₹ 600, Lighting ₹ 240, Power ₹ 600, Rent ₹ 2,000 and other expenses ₹ 4,000.

Other particulars :

| | A | B | C | X | Y |
|---|---|---|---|---|---|
| **Floor space (Sq. ft)** | 400 | 500 | 600 | 400 | 100 |
| **Direct wages (₹)** | 900 | 600 | 900 | 900 | 700 |
| **Light points (No.)** | 20 | 30 | 40 | 20 | 10 |
| **HP of machines** | 75 | 30 | 25 | 10 | – |
| **Value of Machinery (₹)** | 12,000 | 16,000 | 20,000 | 1,000 | 1,000 |
| **Working hours** | 3,113 | 2,014 | 2,033 | – | – |

The expenses of Service Departments X and Y are to be allocated as follows :

| | A | B | C | X | Y |
|---|---|---|---|---|---|
| X | 20% | 30% | 40% | – | 10% |
| Y | 40% | 20% | 20% | 20% | – |

Show the distribution of service department expenses to the production departments A, B and C and calculate hourly rate of each production department. (Use repeated distribution method).

8. From the following particulars, calculate earnings of a worker under :
   i) Straight piece rate
   ii) Differential piece rate
   iii) Halsey Bonus Plan (50% sharing) and
   iv) Rowan Premium Scheme.

Weekly working hrs – 40

Piece rate per piece – Rs. 6

Hourly rate of wages – Rs. 15

Normal time taken per piece – 20 minutes

Normal output per week – 120 pieces

Actual output of the worker per week – 150 pieces

Differential piece rate :

a) 80% of piece rate for output below normal output.

b) 120% of piece rate for output above normal output.

9. From the following figures prepare a Reconciliation Statement and determine Financial Profit.

| | ₹ |
|---|---|
| Net profit as per costing books | 66,760 |
| Factory overhead under recovered in costing | 5,700 |
| Administration overhead recovered in excess in costing | 4,250 |
| Depreciation charged in financial books | 3,660 |
| Depreciation recovered in costing books | 3,950 |
| Interest received recorded in financial books | 450 |
| Income tax provided in financial books | 600 |
| Bank interest credited in financial books | 230 |
| Stores adjustment (Credited in financial books) | 420 |
| Depreciation of stock charged in financial books | 860 |
| Dividend appropriated in financial books | 1,200 |
| Loss due to theft provided in financial books | 260 |
| Loss due to obsolescence charged in financial books | 280 |

10. From the following prepare a Cost and Profit Statement of Sunlight Lamp Co. for the year 2015.

| | ₹ |
|---|---|
| Stock of material on 1-4-14 | 35,000 |
| Stock of material on 31-3-2015 | 4,900 |
| Purchase of material | 52,500 |

| | |
|---|---|
| Direct wages | 95,000 |
| Factory expenses | 17,500 |
| Establishment expenses | 10,000 |
| Completed stock in hand on 31-3-15 | 35,000 |
| Sales | 1,89,000 |

The number of solar lamps manufactured during the year 2014-15 was 4,000. The company wants to quote for a contract for the supply of 1,000 solar lamps during the year 2015-16. The lamps to be quoted are of uniform quality and make and similar to those manufactured in the year 2014-15. The cost of material has increased by 15% and wages by 10%.

Prepare a statement showing the price to be quoted to give the same percentage of net profit on turnover as realised during the year 2014-15 assuming cost per unit overheads will be the same as in previous year.

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