B.B.A. (Part–II) Examination

204 : COST ACCOUNTING

Paper—IV

Time : Three Hours] [Maximum Marks : 80

Note :— (1) Solve **ALL** questions.

(2) Figures to the right indicate marks.

1. (a) What is meant by inventory ? 4

(b) Explain the uses of cost accounting. 4

(c) State the advantages of LIFO. 4

(d) From the following particulars, calculate the Economic Order Quantity (EOQ) :

Annual requirement = 1,600 units

Cost of placing and receiving per purchase order = Rs. 50

Cost of material per unit = Rs. 40

Annual carrying cost of inventory = 10% of inventory value. 4

OR

(e) Explain the four objects of cost accounting. 4

(f) What are the objectives of Inventory Control ? 4

(g) Explain the term FIFO. 4

(h) From the following particulars write up the Priced Stores Ledger under Last-in-first-out :

Dec 1 Stock in hand 500 units @ Rs. 20

3 Issued 200 units

3 Purchased 150 units @ Rs. 22

4 Issued 100 units

5 Purchased 200 units @ Rs. 25. 4

2. Following data are extracted from the books of Amit Industries for the year 2007 :

Particulars	Rs.
Opening Stock of Raw Material	50,000
Closing Stock of Raw Material	80,000
Purchase of Raw Material	1,70,000
Carriage Inward	10,000
Direct Wages	1,50,000
Indirect Wages	20,000
Other Direct Wages	30,000
Rent & Rates – Factory	10,000
Rent & Rates – Office	1,000
Indirect Material	1,000
Depreciation of Plant	3,000
Depreciation of Office Furniture	200
Office Salaries	5,000
Salesmen Salary	4,000
Other Office Expenses	1,800
Other Factory Expenses	11,400
Managing Directors Remuneration	24,000
Other Selling Expenses	2,000
Travelling Expenses	2,200
Carriage Outward	2,000
Sales	5,00,000
Advance Income Tax Paid	30,000
Advertisement	4,000

Managing Director's Remuneration is to be allocated as Rs. 8,000 to the factory, Rs. 4,000 to the office and Rs. 12,000 to the Selling Department. From the above information, prepare a cost sheet showing :

(a) Prime Cost

(b) Works Cost

(c) Cost of Production

(d) Cost of Sales

(e) Net Profit. 16

OR

Rama Industries Ltd. has three processes through which its products pass for becoming a finished product. There is a loss of 2% in each process on the total weight put in and 10% in scrap in all processes. The scrap realises Rs. 5 per ton from process 1, Rs. 7 per ton from process 2 and Rs. 10 per ton from process 3.

The detailed information of various processes is as follows :

Particulars	Process 1	Process 2	Process 3
Passed to next process	60%	50%	–
Sent of warehouse	40%	50%	100%

Raw Material :	**Rs.**	**Tons**
Process 1	1,50,000	500
Process 2	24,480	136
Process 3	7,200	24
Labour :		
Process 1	27,500	
Process 2	20,600	
Process 3	15,000	
General Expenses :		
Process 1	12,500	
Process 2	9,200	
Process 3	5,075	

Prepare Process Cost Account showing cost per ton at each process. 16

3. (a) State the different types of material variance. 4

(b) Define Standard Costing. 4

(c) From the following information, calculate material mix variance :

Materials	Standard		Actual	
	Qty (Units)	Price/Unit Rs.	Qty (Units)	Price/Unit Rs.
A	40	10	50	12
B	60	5	50	8

4

(d) From the following information regarding a standard product, calculate labour variance :

Labour rate	50 paise per hour
Hours per unit	10 Hours
Units Produced	500
Hours worked	6,000
Actual labour cost	2,400

4

OR

(e) Explain the advantages of Standard Costing. 4

(f) What is Material Yield Variance ? 4

(g) From the following information, calculate material yield variance :

Materials	Standard		Actual	
	Qty	Price/Unit	Qty	Price/Unit
A	80	5	60	4.50
B	70	9	90	8.00
	150		150	

There is a standard loss of 10%

Actual yield is 125 units. 4

(h) Calculate variable overhead variances from the following data :

Budgeted production for January, 2008	3,000 Units
Budgeted variable O/H	Rs. 15,000
Standard time for one unit	2 hours
Actual production for Jan. 2008	2,500 Units
Actual hours worked	4,500 Units
Actual variable O/H	Rs. 13,500

4

4. Your company has production capacity of 2,00,000 units per year. Normal capacity utilisation is reckoned as 90%, standard variable production cost is Rs. 11 per unit. The fixed cost is Rs. 3,60,000 per year, variable selling cost is Rs. 3 per unit and fixed selling cost is Rs. 2,70,000 per year. The unit selling price is Rs. 20. In the year just ended on 30th June, the production was 1,60,000 units and sales were 1,50,000 units. The closing inventory was 20,000 units. The actual variable production costs for the year were Rs. 35,000 higher than standard. Calculate the profit for the year :

(a) By the Absorption Costing Method

(b) By the Marginal Costing Method. 16

OR

A company produces only one product which had the following costs :

Variable manufacturing cost : Rs. 4 per unit

Fixed manufacturing cost : Rs. 1,00,000 p.a.

The normal capacity is set at 1,00,000 units. There is no work-in-process inventories. Fixed overhead rate is Rs. 1 per unit.

In 2007, the company produced 1,00,000 units and sold 90,000 units at a price of Rs. 8 per unit. In 2008, the company produced 1,10,000 units and sold 1,15,000 units at the same price.

You are required to prepare income statements for 2007 and 2008 based on absorption costing and variable costing. 16

5. (a) Explain the advantages of Break Even Analysis. 4

(b) What is composite BEP ? 4

(c) From the following information relating to Quick Standard Ltd. you are required to find out (i) Contribution (ii) B.E.P. (Units) (iii) Profit :

Total fixed cost	Rs. 4,500
Total variable cost	Rs. 7,500
Total sales	Rs. 15,000
Units sold	5000 Units

Also calculate the volume of sales to earn profit of Rs. 6,000. 4

(d) From the following particulars calculate P/V Ratio and also sales required to earn a profit of Rs. 1,20,000 :

Sales	Rs. 6,00,000
Variable cost	Rs. 3,75,000
Fixed cost	Rs. 1,80,000

4

OR

(e) Explain the relationship between Margin of Safety and Profit Volume Ratio. 4

(f) What do you mean by contribution ? How is it calculated ? 4

(g) From the following particulars, find out the B.E.P. :

Variable cost per unit	Rs. 15
Fixed expenses	Rs. 54,000
Selling price per unit	Rs. 20

What should be the selling price per unit, if the B.E.P. is brought down to 6,000 units ? 4

(h) From the following information, calculate :

(i) P/V Ratio

(ii) B.E.P.

(iii) Margin of safety

	Rs.
Total Sales	3,60,000
Selling Price per unit	100
Variable cost per unit	50
Fixed cost	1,00,000

4