AU–1517

B.B.A. (Part-II) Examination

COST ACCOUNTING

Time : Three Hours] [Maximum Marks : 80

Note :— (1) Solve **ALL** questions.

(2) Figures to the right indicate marks.

1. (A) What are the uses of Cost Accounting ? 4

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

(C) Explain the departmental classification of overhead. 4

(D) On Job No. 200 materials used were ₹ 1,000 and labour charged directly to job was ₹ 800 other information is :

Machine No. 3 used for 50 hours (Machine Hour Rate ₹ 4.00)

Machine No. 25 used for 30 hours (Machine Hour Rate ₹ 3.00)

8 welders worked on the job for 5 days of 8 hours each (Direct Labour Hour Rate for Welders is 50 paise)

Expenses not allocated for calculating Machine hour rate or Direct labour hour rate totalled ₹ 3,000. The total direct wages for the period were ₹ 30,000. Ascertain work cost of Job No. 200. 4

OR

(E) Explain the methods of Inventory Valuation. 4

(F) What do you mean by direct expenses ? 4

(G) Explain the procedure of purchasing. 4

(H) Explain in brief four methods of costing. 4

2. The following cost information related to a manufacturing company is provided. Prepare a statement showing cost of production, cost of sales and the profit :

	(₹)
Opening Stock :	
Raw Materials	80,000
Finished Goods	30,000

	(₹)
Purchase of Raw Material	2,60,000
Direct Wages	1,36,000
Work Expenses	70,400
Dividend Paid	80,000
Office Expenses	30,000
Depreciation	10,000
Selling Expenses	36,000
Work in Progress :	
Opening	74,000
Closing	72,000
Goodwill written off	10,000
Closing Stock :	
Raw Material	48,000
Finished Goods	36,000
Sales	6,60,000
Payment of Sales Tax	16,000

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OR

A manufacturer produces certain goods through three processes. Profit is not included in the process transfer but goods in godown are sold at cost plus 25% profit. In each process 5% of weight put in is lost and 20% is scrapped which from process A and B realises ₹ 20 per ton and from process C ₹ 5 per ton.

The details of production of three processes are given below :

	Process A		Process B		Process C	
	Ton	₹	Ton	₹	Ton	₹
Materials	1,000	10,000	550	15,000	200	2,000
Wages	—	4,000	—	2,000	—	6,000
Expenses	—	6,000	—	3,000	—	2,000
Passed to next process		60%		80%		—
Carried to godown		40%		20%		100%

Prepare Process Cost and Godown A/c. 16

3. From the following data calculate :

(1) Material Cost Variance

(2) Material Price Variance

(3) Material Usage Variance

(4) Material Mix Variance

(5) Material Revised Usage Variance.

	Standard	Actual
A	60 units @ ₹ 2 per unit	80 units @ ₹ 3 per unit
B	40 units @ ₹ 3 per unit	40 units @ ₹ 5 per unit
	100 units	120 units

Also reconcile actual material cost with standard material cost. 16

OR

From the following information calculate labour variances :

Standard	₹
40 Skilled men @ ₹ 6 per hour for 50 hours	12,000
60 Unskilled men @ ₹ 4 per hour for 50 hours	12,000
	24,000

Actual	
35 Skilled men @ ₹ 5.60 per hour for 50 hours	9,800
65 Skilled men @ ₹ 4 per hour for 50 hours	13,000
	22,800

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4. (A) Explain the term "Variable Costing". 4

(B) Discuss the nature of decision making in Variable Costing. 4

(C) What are the advantages of absorption costing ? 4

(D) The data below relates to a company which makes and sells computers :

	March (Units)	April (Units)
Sales	5,000	5,000
Production	10,000	5,000
	(₹)	(₹)
Selling price per unit	100	100
Variable production cost per unit	50	50
Fixed production overhead incurred	1,00,000	1,00,000
Fixed production overhead cost per unit being the predetermined overhead Absorption rate	10	10
selling distribution and administration cost (all fixed)	50,000	50,000

You are required to present comparative profit statement for each month using absorption costing 4

OR

(E) Explain income determination under absorption costing. 4

(F) What are the limitation of variable costing ? 4

(G) State the difference between Variable costing and Absorption costing. 4

(H) S.S Industries Ltd. produced and sold 1,50,000 plastic buckets. Each bucket was sold at a price of ₹ 20. The variable costs were ₹ 14 per bucket and fixed manufacturing costs were ₹ 3,00,000 per annum. The company's normal production capacity is 1,50,000 plastic buckets.

You are required to prepare income statements under absorption costing and variable costing methods and comment on the results. 4

5. From the Books of Gupta Bros. the following information has been extracted :

	(₹)
Sales	12,00,000
Variable Costs	7,20,000
Fixed Costs	1,30,000
Profit Before Tax	3,50,000
Profit Volume Ratio	40%

Taxes are charged at the rate of 40%

The firm is proposing to buy a new plant which can generate additional annual profit of ₹ 50,000. The fixed cost of new plant is expected to be ₹ 20,000. The new plant will increase the sales volume by ₹ 2,00,000. It can be assumed that the ratio between sales and variable costs remains the same.

Based on the above information find out :

(A) Break Even Point in ₹. 4

(B) Sales to earn present level of profit. 4

(C) Sales to earn present level of profit and expected profit on proposed investment. 4

(D) Maximum after tax profit potential after plant expansion. 4

OR

(E) Calculate P/V Ratio :

Sales ₹ 80,000, Variable Cost ₹ 60,000. 4

(F) Calculate Profit :

Sales ₹ 1,60,000, P/V Ratio 20%, Fixed Cost ₹ 20,000. 4

(G) Calculate BEP (unit) :

Fixed Expenses ₹ 1,00,000

Variable Expenses per unit ₹ 10

Selling Price per unit ₹ 15 4

(H) What is the Profit-Volume Ratio ? 4