

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) Define Cost Accounting. 4
 (b) Explain the objects of Cost Accounting. 4
 (c) Determine the uses of Cost Accounting. 4
 (d) Calculate Inventory Turnover from the following information :

| | Units | |
|---------------------|--------------|---|
| Maximum stock | 9,000 | |
| Order level | 3,000 | |
| Minimum stock level | 1,200 | |
| Re-order quantity | 7,800 | |
| Normal consumption | 300 per day | 4 |

OR

- (e) Explain various cost concepts. 4
 (f) State the functional classification of overheads. 4
 (g) Discuss the importance of direct expenses. 4
 (h) With the help of the following particulars prepare Stores Account showing issue of materials on the basis of Last in First out :

Purchases

| | | |
|-----------------|-------------------|--|
| August 3, 2004 | 750 kg @ Rs. 2.00 | |
| August 18, 2004 | 350 kg @ Rs. 2.10 | |
| August 25, 2004 | 600 kg @ Rs. 2.20 | |
| August 28, 2004 | 500 kg @ Rs. 2.30 | |

Issues

| | | |
|-----------------|--------|---|
| August 19, 2004 | 850 kg | |
| August 26, 2004 | 450 kg | |
| August 29, 2004 | 510 kg | |
| August 30, 2004 | 150 kg | 4 |

2. The Cost Accounts of a Manufacturing Co. provides the following information :

| | Rs. |
|--|------------|
| Purchase of raw material | 1,20,000 |
| Rent, rates and works oncost | 40,000 |
| Carriage inward | 1,440 |
| Direct wages | 1,00,000 |
| Stock opening : | |
| Raw material | 20,000 |
| Finished products (1000 ton) | 16,000 |
| Work-in-progress | 4,800 |
| Stock closing : | |
| Raw material | 22,240 |
| Finished product (2000 ton) | 32,000 |
| Work-in-progress | 16,000 |
| Sale of finished goods | 3,00,000 |
| Cost of factory supervision | 8,000 |
| Royalty | 6,000 |
| Printing and stationery (factory) | 500 |
| Office power | 1,000 |
| Warehouse rent | 5,000 |
| Wastage of material | 400 |
| Cost of research and experiments | 10,000 |
| Advertising discount allowed and selling cost are Re. 1 per ton sold. 16000 tons of commodity were produced during the period. | 16 |

OR

The information given below is extracted from books of a factory producing a commodity in the manufacture of which three processes are involved. Prepare Process Cost Accounts showing the cost of output and the cost per unit at each stage of manufacture.

| | Process | | |
|-----------------------------------|----------------|--------------|--------------|
| | 1 | 2 | 3 |
| | Rs. | Rs. | Rs. |
| Direct wages | 7,500 | 15,000 | 19,500 |
| Machine expenses | 4,200 | 3,600 | 3,600 |
| Factory oncost | 3,300 | 4,650 | 2,700 |
| Raw material consumed | 24,000 | — | — |
| | Units | Units | Units |
| Production (Gross) | 2,750 | — | — |
| Wastage | 150 | 210 | 200 |
| Stock 1 st April 2014 | — | 250 | 500 |
| Stock 31 st March 2015 | — | 440 | 100 |

16

3. Calculate Labour variances from the following information :

| | | |
|-------------------|------------------|--------------|
| Standard time | 4 hours per unit | |
| Standard rate | Rs. 5 per hour | |
| Actual production | 1,500 units | |
| Hours Taken | Production | 6,200 |
| | Idle time | 200 |
| | Total | <u>6,400</u> |

Payment of Rs. 31,360 was made @ 4.90 per hour.

Calculate :

| | |
|--------------------------------|---|
| (a) Labour Cost Variance | 4 |
| (b) Labour Rate of Variance | 4 |
| (c) Labour Efficiency Variance | 4 |
| (d) Labour Idle Time Variance. | 4 |

OR

- (e) Discuss the advantages of Standard Costing. 4
- (f) Explain briefly the variances used in Standard Costing. 4
- (g) Describe the managerial use of variance analysis. 4
- (h) What do you mean by variance ? 4
4. (a) What are the limitations of absorption costing ? 4
- (b) Write the advantages of variable costing. 4
- (c) The cost of production of 5,000 units is given below :
- | | |
|-----------|--------------------|
| Materials | 40,000 |
| Labour | 20,000 |
| Overheads | 30,000 (60% fixed) |
- Find out the marginal cost in total and per unit. 4
- (d) In two periods total costs amount to Rs. 40,000 and Rs. 50,000 against production of 15,000 units and 20,000 units respectively. How much is marginal cost per unit and how much is fixed cost ? 4

OR

- (e) Define concept of Decision Making. 4
- (f) What is meant by contribution margin ? 4
- (g) Define variable cost and fixed cost. 4
- (h) A company has capacity of producing 1,00,000 units of a certain product in a month. The sales department reports that the following schedule of selling price is possible.

| Volume of production | Selling Price per unit |
|----------------------|------------------------|
| 60% | 0.90 |
| 70% | 0.80 |
| 80% | 0.75 |
| 90% | 0.67 |
| 100% | 0.61 |

The variable costs manufacture between these levels are 0.15 per unit and fixed costs Rs. 40,000. At what volume (level) of production will the profit be maximum ? 4

5. Following information are available :

| Year | Sales | Profit/Loss |
|-------------|--------------|--------------------|
| 2010 | 10,00,000 | +50,000 |
| 2011 | 6,00,000 | -10,000 |

Calculate :

- (i) B.E.P.
- (ii) Margin of safety in 2010.
- (iii) Profit when sales are Rs. 15,00,000.
- (iv) Sales to earn profit Rs. 1,00,000.

16

OR

The P/V Ratio of Rashmi Ltd. is 50% and the margin of safety is 40%. You are required to work out the Break-Even-Point and the Net Profit if the sales volume is Rs. 10,00,000.

16