

**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) Explain the importance of Cost Accounting. 4
- (b) Discuss merits and demerits of LIFO method. 4
- (c) State the functional classification of overheads. 4
- (d) What are the objectives of Inventory control ? 4

OR

- (e) Explain Direct Labour Cost and Indirect Labour Cost. 4
 - (f) Explain in brief four methods of costing. 4
 - (g) Explain the objects of Cost Accounting. 4
 - (h) Explain the advantages and disadvantages of centralised stores. 4
2. The following information are available from the cost accounts of a refinery :

	Oil No. 1 (Rs.)	Oil No. 2 (Rs.)
Crude Oil Production		
Materials	40,000	32,000
Wages	800	600
Steam	240	240
Sale of By-product	640	480
Refined Oil		
Materials	1,600	1,200
Wages	1,000	800
Steam	560	520
Sale of By-product	2,400	1,200
Blending		
Wages	400	
Steam	120	

The amount of rent and taxes is Rs. 3,600. This is to be equally apportioned in each of the processes and then the amount at arrived at should be divided in the ratio of 7:5 for Oil No. 1 and Oil No. 2 in the processes concerned.

Prepare the accounts from the above information showing the cost of each process and also the total cost of the finished product which is the blending of Oil No. 1 and Oil No. 2. 16

OR

Prepare a Statement of Cost from the following Trading and Profit and Loss A/c for the year ending 31st March 2002 :

During the year 2000 table fans were manufactured

Trading and Profit and Loss Account
(for the year ended 31-3-2002)

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening stock :		By Sales	5,00,000
Raw Material	40,000	By Closing	
Finished goods (100 fans)	20,000	Stock :	
To Purchases of Material	1,20,000	Raw material	20,000
To Wages	80,000	Finished goods (200 fans)	40,000
To Carriage inward	10,000		
To Factory salaries and wages	8,000		
To Coal, gas and water	5,000		
To Factory rent	10,000		
To Repairs to machine	2,000		
To Dep. on Plant/Machinery	6,500		
To Gross Profit c/d	2,58,500		
	Rs. 5,60,000		Rs. 5,60,000
To Printing and Stationery	5,000	By Gross	2,58,500
To Office Rent and Salaries	15,000	Profit b/d	
To General Expenses	6,000		
To Travelling Expenses	10,000		
To Distribution Expenses	20,000		
To Advertisement	25,000		
To Net Profit transferred to Capital A/c	1,77,500		
	Rs. 2,58,500		Rs. 2,58,500

After the preparation of above account it has been disclosed that the W.I.P. as on 1-4-2001 amounting to Rs. 5,000 and the W.I.P. as on 31-3-2002 amounting to Rs. 10,000 have been wrongly included in the stock of finished goods. The W.I.P. is valued at factory cost.

3. (a) What are the objectives of standard costing ? 16
 (b) Explain the process of determination of standards. 4
 (c) In a factory standard labour mix is as follows : 4
 Men – 50, Women – 25, Boys – 15
 The actual labour mix is as follows :
 Men – 40, Women – 30, Boys – 20
 Standard Rate per hour for men, women and boys is Rs. 2, Rs. 1.5 and Re. 1 respectively.
 The Working hour per day for all employees are 8.
 Calculate labour mix variance. 4

(d) From the following data calculate variable overheads variance :

Budgeted production for the month	3,000 units	
Budgeted variable overheads	Rs. 78,000	
Standard Time required for producing one unit	20 hours	
Actual production for the month	2,500 units	
Actual hours worked	45,000 hours	
Actual overheads @ Rs. 1.5 per hour	Rs. 67,500	4

OR

(e) Calculate labour rate variance :

Particulars	Standard	Actual	
Output (in units)	12,000	15,000	
Number of workers	90	120	
No. of working days in 9 months	25	24	
Average wages per worker per month	Rs. 350	384	4

(f) Calculate material price variance :

A company shows the following particulars regarding the material requirement to produce 1 kg mustard oil.

Quantity of mustard seed 2.5 kg.

Price of mustard oil 80 paise per kg.

Actual Production Data :

Production during one month 1500 kg

Quantity used 5000 kg

Price of mustard seed Re. 1 per kg.

Calculate price variance.

4

(g) From the following calculate Quantity basis Sales Price variance :

Product	Budgeted		Actual		
	Qunty. (Units)	Price	Qunty. (Units)	Price	
P	1,200	2	1,500	3	
Q	800	4	900	5	
R	400	6	600	6	4

(h) Standard time per unit 50 hours

Standard Rate per hour @ Rs. 4 per hour

Actual time per unit 60 hours

Actual Rate per hour @ Rs. 3.5 per hour

Calculate Labour Efficiency variance.

4

4. (a) Present the data in the cost statement according to marginal costing :

Sales	Rs. 85,000
Direct Material	Rs. 40,000
Labour	Rs. 20,000
<u>Factory O/H</u>	
Fixed	Rs. 15,000
Variable	Rs. 6,000
<u>Sales O/H</u>	
Fixed	Rs. 4,000
Variable	Rs. 10,000
Administrative O/H	Rs. 4,000

4

(b) Prepare Income Statement by Absorption Costing

Particulars	Products		
	X	Y	Z
Material	7,500	30,000	3,000
Direct wages	9,000	9,000	1,500
<u>Factory O/H</u>			
Fixed	3,000	1,500	1,500
Variable	3,900	9,000	4,500
<u>Selling O/H</u>			
Fixed	1,500	900	600
Variable	1,200	6,000	3,000
Sales	32,000	61,000	16,000

4

(c) Income Statement under Absorption Costing :

Unit Data

Opening Inventory	Nil
Production	500 units
Sales	350 units

Variable Cost data

Manufacturing cost per unit	Rs. 10
Selling and Distribution cost per unit	Rs. 3

Fixed cost data

Management cost	Rs. 2,000
Marketing cost	Rs. 600
Selling price per Unit	Rs. 24

4

(d) From the following prepare Income Statement under Variable Costing :

Unit Data

Beginning Inventory	Nil
Production	1,000 units
Sales	700 units

Variable Cost data

Manufacturing cost per unit	Rs. 10
Distribution cost per unit sold	Rs. 3

Fixed cost data

Manufacturing cost	Rs. 4,000
Marketing cost	Rs. 1,200
Selling price per unit	Rs. 24

4

OR

(e) From the following prepare Statement of Absorption Costing :

Unit Data

Opening stock	Nil
Production	2,500 units
Sales	1,750 units

Variable Cost data

Manufacturing cost per unit	Rs. 12
Distribution cost per unit sold	Rs. 4

Fixed cost data

Manufacturing cost	Rs. 10,000
Marketing cost	Rs. 3,000
Selling price per unit	Rs. 24

4

(f) From the following prepare Statement of Marginal Costing :

Unit Data

Opening stock	Nil
Production	250 units
Sales	175 units

Variable Cost data

Manufacturing cost per unit	Rs. 10
Distribution cost per unit sold	Rs. 3

Fixed cost data

Manufacturing cost	Rs. 1,000
Marketing cost	Rs. 300
Selling price per unit	Rs. 25

4

(g) Production units 12,000

Sales 10,500 units @ Rs. 4 P.U.

Variable exp. Rs. 2 per unit

Fixed exp. Rs. 4,000

Selling and Distribution Rs. 2,000 (75% fixed)

You are required to prepare Income Statement under Absorption Costing.

4

(h) Following data relate to the operation of HM Ltd. for the year ended 31st March 2011 :

Units produced	600
Sold	500
Direct material incurred	Rs. 900
Direct labour	Rs. 300
Variable Overhead	Rs. 750
Fixed Overhead	Rs. 1,200
Selling and Admin exp.	Rs. 275
Selling price per unit	Rs. 6
Raw Material Stock opening	100
Raw Material Stock	100

Prepare Income Statement under variable method. 4

5. A Company has a maximum capacity of producing 2,10,000 units per year. Normal capacity is regarded as 1,80,000 units per year. Variable manufacturing costs are Rs. 11 per unit and fixed manufacturing costs are Rs. 5,40,000. Variable selling costs are Rs. 3 per unit, while fixed selling costs are Rs. 2,52,000 per year. Selling price per unit is Rs. 20.

- (a) What is the break-even point expressed in units ?
- (b) What is the volume of sales in rupees to earn a target net income of Rs. 60,000 per year ?
- (c) How many units must be sold to earn a net income of 10% on sales ?
- (d) What should be the selling price per unit if the break-even point is to be brought to 80,000 units ? 16

OR

A retail dealer in garments is currently selling 24,000 shirts annually. He supplies the following details for the year ended 31st December, 2001 :

	Rs.
Selling price per unit	40
Variable cost per unit	25
Fixed cost :	
(i) Staff salaries for the year	1,20,000
(ii) General office cost for the year	80,000
(iii) Advertising cost for the year	40,000

You are required to answer the following :

- (i) Break-even point and margin of safety in rupees and number of shirts sold.
- (ii) If it is desired to introduce selling commission of Rs. 3 per shirt, how many shirts would require to be sold in a year to earn a net income of Rs. 15,000 ?
- (iii) Assuming that for the year 1997 additional staff salary of Rs. 33,000 is anticipated and price of shirt is likely to be increased by 15%, what should be the break-even point in rupees and number of shirts ? 16