

END TERM EXAMINATION

SECOND SEMESTER [BBA] MAY-JUNE 2014

Paper Code: BBA/BBA(BI/TTM)110

Subject: Cost Accounting

Time : 3 Hours

Maximum Marks :75

Note: Attempt any five questions. All questions carry equal marks.

- Q1 Reconcile the following two statements quoting examples to illustrate the validity of each:- (15)
- (a) "Costing is an instrument of managerial control".
 (b) "Costing is nothing more than a detailed analysis of expenditure".

- Q2 (a) Differentiate between Perpetual Inventory System and Periodic Inventory System. (5)
 (b) BPL India is a bulk distributor of high octane petrol. A periodic Inventory of petrol on hand is taken when the books are closed at the end of each month. The following summary of information is available for the month of June 2012 (10)

Sales		9,45,000
General Administrative Cost		25,000
Opening stock	1,00,000 litres @ Rs.3 per litre	3,00,000
Purchase (including freight inwards)		
June 1	2,00,000 litres @ Rs. 2.85 per litre	
June 30	1,00,000 litres @ Rs. 3.03 per litre	
Closing stock June 30	1,30,000 litres	

Compute the following data by the FIFO, Weighted Average and LIFO method of inventory costing: (i) Value of inventory on June 30.

(ii) Amount of the cost of goods sold for the month of June.

- Q3 (a) Enumerate the causes of Idle Time indicating the treatment thereof in Cost Accounts. (5)
 (b) What do you understand by Labour Turnover? How is it measured? What are its causes? What remedial steps would you suggest to minimize its occurrence? (10)

- Q4 (a) How will you deal with interest on Capital in Cost Accounts? (5)
 (b) A manufacturing company uses two identical large and four identical small machines. Each large machine occupies one quarter of the workshop and fully employs three workers; each small machine occupies half the space of a large machine and fully employs two workers. The workers are paid by piece work. Each of the six machines is estimated to work 1,440 hours per year, while the effective working life is taken as 12,000 working hours for each large machine and 9,000 working hours for each small machine. Large machine cost Rs. 20,000 each, and small machines Rs. 4,000 each. Scrap Value are Rs. 4,000 and Rs.100 respectively. Repair, maintenance and oil are estimated to cost for each large machine Rs.4,000 and each small machine Rs.1,200 during its effective life. Power consumption costs 5 p. per unit, and amounts for a large machine to 20 units per hour, and for a small machine to 2 units per hour. The manager is paid R. 4,000 a year, and the workshop supervision occupies half his time which is divided equally among the six machines. Details of other expenses are:
 Rent and rates of the workshop : Rs. 6,400 a year.
 Lighting (to be apportioned in the ratio of workers employed) Rs. 1,820 a year.
 Taking a period of three months as a basis, calculate the machine hour rate for a large machine and a small machine respectively. (10)

- Q5 (a) Explain briefly any five Methods of Costing. (5)
 (b) Pleasant Cold Limited manufactured and sold 1,000 refrigerators in the year ending 31st March, 2012. The summarised Trading and Profit and loss Account is set out below:

	Rs.		Rs.
To Cost of materials	80,000	By Sales	4,00,000
To Direct wages	1,20,000		
To Manufacturing expenses	50,000		
To Gross Profit c/d	1,50,000		
	4,00,000		4,00,000
To Management and Staff Salaries	60,000	By Gross Profit b/d	1,50,000
To Rent, Rates, and Insurance	10,000		
To Selling expenses	30,000		
To General expenses	20,000		
To Net Profit	30,000		
	1,50,000		1,50,000

P.T.O.

For the year ending 31st March, 2013 it is estimated that:

- (i) Output and sales will be 1,200 refrigerators.
- (ii) Prices of raw materials will rise by 20% on the previous year's level.
- (iii) Wages rates will rise by 5%.
- (iv) Manufacturing cost will rise in proportion to the combined cost of materials and wages.
- (v) Selling cost per unit will remain unchanged.
- (vi) Other expenses will remain unaffected by the rise in output.

You are required to submit the statement of the Board of Directors showing the price at which the refrigerator should be marked so as to show a profit of 10% on selling price. (10)

- Q6 (a) How will you deal with Profit on Incomplete Contracts in Cost accounts? (5)
 (b) Buildwell Ltd. commenced a contract on 1st Jan. 2013 The total contract was for Rs.10,00,000 (estimated by the contractee and was accepted by Buildwell Ltd. at 10% less. It was decided to estimate the total profit and take to the credit of P. and L. Account that proportion of estimated profit on cash basis which the work completed bore to the total contract price. Actual expenditure in 2012 and estimated expenditure in 2013 are given below:

	2012(Actual) (Rs.)	2013 (Estimated) (Rs.)
Materials	1,50,000	2,60,00
Labour : Paid	1,00,000	1,20,000
Accrued	10,000	-
Plant purchased	80,000	-
Expenses	40,000	71,000
Plant returned to store on (cost)	20,000	50,000
	(31 st Dec.2012)	(on 30/09/2013)
Materials at site	10,000	-
Work certified	4,00,000	Full
Work uncertified	15,000	-
Cash received	3,00,000	Full

The plant is subject to annual depreciation @20% of cost. The contract is likely to be completed by 30th Sep, 2013. Prepare the Contract Account (10)

- Q7 (a) Differentiate between Joint Products and By-products. (5)
 (b) The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of the total weight is lost and 10% is scrap which from processes A and B realizes Rs.80 per tonne and Rs.200 per tonne respectively.

	Process A	Process B
Material in tonnes	1,000	70
Cost of materials in rupees per tonne	125	200
Wages in rupees	28,000	10,000
Manufacturing expenses in rupees	8,000	5,250
Output in tones	830	780

Prepare Process Cost Account showing cost per tonne of each process. There was no stock or work-in-process in any process. (10)

- Q8 (a) Explain the causes of differences between Profit shown by Financial Account and Cost Accounts. (5)
 (b) Prakash Transport Company has been given a route 20 km. long to run a bus. The bus costs the company a sum of Rs5,00,000. It has been insured at 3%p.a. and the Annual tax will amount to Rs10,000, Garage rent is Frs.1,000 p.m. Annual repairs will be Rs.10,000 and the bus is likely to last for 5 years.
 The driver's salary will be Rs.1,500 per month and the conductor's salary will be Rs.1,000 per month in addition to 10% of the takings as commission (to be shared by the driver and the conductor equally). Cost of stationery will be Rs.5,00 p.m. Manager-cum-accountant's salary is Rs.3,500 p.m.
 Petrol and oil will be Rs.250 per 100k.m. The bus will make 3 round trips carrying on the average 40 passengers on each trip. Assuming 15% profit on takings, calculate the bus fare to be charge from each passenger. The bus will be run on an average 25 days in a month. (10)

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