

# END TERM EXAMINATION

SECOND SEMESTER [BBA] MAY-JUNE 2017

Paper Code: BBA-110

BBA (B&J)-110

BBA (TMM)-110

Subject: Cost Accounting

Time: 3 Hours

Maximum Marks: 75

Note: Attempt any five questions.

Q1 You have been asked to install a costing system in a manufacturing company. What practical difficulties will you expect and how will you propose to overcome the same? (15)

Q2 (a) What is Economic Order Quantity? How is it useful?  
 (b) A furniture manufacture purchased 10,000 cft. of timber logs on 1<sup>st</sup> October, 2012 @ Rs. 100 per cft. and stored them in his timber yard for six months for seasoning. In this timber yard the following items of expenses were incurred during the period of seasoning:  
 i. Rent of the yard (2,000 sq. ft.) Rs. 2,500 per month.  
 ii. Salaries of 2 watchmen and Khalasis @ Rs. 2,500 per month each.  
 iii. Incidental expenses of maintenance, lighting etc. @ Rs. 1,500 per month.  
 iv. Annual share of general overhead expenses of the business Rs. 20,000.  
 v. Insurance charges for the logs to be seasoned @ 1% on the value of unseasoned logs for the periods of seasoning-50% of floor area of the yard has been set apart for seasoning timber and the remaining floor area is occupied by the shops making furniture.

Loss in volume of logs due to seasoning: 10%. Calculate the price to be charged on issue of the seasoned logs per cft. to the nearest rupee. (5+10=15)

Q3 (a) Discuss the arguments in favour of and against inclusion of "Interest on Capital" in Cost Accounts. State your views in this regard.  
 (b) The following information relates to the activities of a production department for a certain period in a factory:

Material used	Rs.
direct Wages	72,000
Hours of operation of Machine	20,000
Labour hours worked	24,000
Overheads chargeable to the department	48,000
On one order carried out in the department for a certain period in a factory:	
Material used	Rs.
Labour Hours	4,000
Direct wages	1,650
Machine Hours	1,200

Prepare a comparative statement of cost of this order by using the following two methods of recovery of overheads:

- (i) Direct Labour Hour Rate Method
- (ii) Machine Hour Rate Method

(5+10=15)

Q4 Mr. Richardson undertook a contract for Rs. 75,00,000 on an arrangement that 80% of the value of the work done, as certified by the architects of the contractee should be paid immediately, and the remaining 20% be retained until the contract was completed.

In 2003, the amounts expended were: Materials Rs. 9,60,000, Wages Rs. 8,50,000, Carriage Rs. 30,000, Carriage Rs. 5,000, Sundry expenses Rs. 35,000. The work was certified for Rs 18, 75,000 and 80% of this was paid as agreed.

In 2004, the amounts expended were: Materials Rs. 11,00,000, Wages Rs. 11,50,000, Carriage Rs. 1,15,000, Carriage Rs. 10,000, Sundry expenses Rs. 20,000. Three-fourths of the contract was certified as done by 31st December and 80% of this was received accordingly. The value of the unused stock and work-in-progress uncertified was ascertained at Rs. 1,00,000.

In 2005, the amounts expended were: Materials Rs. 6,30,000, Wages Rs. 8,50,000, Carriage Rs. 30,000, Sundry expenses Rs. 15,000. The whole contract was completed on 30th June.

Show how the contract account, work-in-progress account and the contractor's account would appear in each of these years in the books of the contractor assuming that balance due to him was received on completion of the contract. Also show the relevant items in the Balance Sheet. (15)

Q5 A product passes through three processes-A,B and C. The details of expenses incurred on the three processes during the year 2014 were as under:

Process	A	B	C
Units issued/introduced cost per unit Rs.	10,000		
100	Rs.	Rs.	Rs.
Sundry Materials	10,000	15,000	5,000
Labour	30,000	80,000	65,000
Direct Expenses	6,000	18,150	27,200
Selling price per unit of output	120	165	250

Management expenses during the year were Rs. 80,000 and selling expenses were Rs. 50,000. These are not allocable to the processes.

Actual output of the three processes was:  
 A-9,300 units, B-54,00 units and C-2,100 units. Two thirds of the output of Process A and one-half of the output of Process B was passed on to the next process and the balance was sold. The entire output of Process C was sold.  
 The normal wastage of the three processes, calculated on the input of every process was:  
 Process A-5%, B-15% and C-20%

The wastage of Process A was sold at Rs. 2 per unit, that of B at Rs. 5 per unit and of Process C at Rs. 10 per unit.

Prepare the Three Processes Accounts and the Profit and Loss Account. (11)

Q6 (a) Differentiate between Absolute Tonne-Kms and Commercial Tonne-Kms.

(b) A factory which uses a large amount of coal is situated between two collieries 'X' and 'Y' the former being 5 kilometers and the latter 10 kilometers distance from the factory. A fleet of lorries of 5 tonne carrying capacity is used for the collection of coal from the pits. The lorries give an average speed of 20 kilometers per hour when running and regularly take 10 minutes in the factory premises to unload. At colliery 'X' loading time averages 30 minutes per load, and at colliery 'Y' 20 minutes per load. Driver's wages, licences, insurance, depreciation, garage and similar charges are noticed to cost Rs. 60 per hour operated. Fuel, oil, tyres, repairs and similar charges are noticed to cost Rs. 10 per kilometer run.

Draw up a statement showing the cost per tonne-kilometer of carrying coal from each colliery. If the coal is equal quality and price at pithead, from which colliery should the purchases be made? (5+10=15)

Q7 (a) Explain the causes of difference between Profit shown by Financial Accounts and Profit shown by Cost Accounts.

(b) Given below is the Trading and Profit and Loss Account of Vikas Electronics for the accounting year ended 31st March, 2014:

	Rs.		Rs.
To Direct Consumed	3,00,000	By sales:	2,50,000 Units
To Direct Wages	2,00,000		7,50,000
To Factory Expenses	1,20,000		
To Office Expenses	40,000		
To selling and distribution Expenses	80,000		
To Net Profit	10,000		
	7,50,000		7,50,000

Normal output of the factory is 2,00,000 units. Factory overheads are fixed for all practical purpose. Selling and distribution expenses are fixed to the extent of Rs. 50,000; the rest are variable. Prepare a statement reconciling profit as per Cost Accounts and Financial Accounts. (10+5=15)

Q8 Write short notes on any three of the following:-

- (a) Labour Turnover
- (b) Control Ratios
- (c) Activity Based Costing
- (d) Life Cycle Costing
- (e) Material Losses

(5+5=15)

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