MS – 500

IV Semester B.B.M. Examination, May 2016
(2013-14 and Onwards) (Repeaters)
BUSINESS MANAGEMENT
Paper – 4.6 : Cost Accounting

Time : 3 Hours Max. Marks : 100

***Instruction** : Answers must be written in **English only**.*

SECTION – A

1. Answer **any eight** of the following sub-questions. **Each** sub-question carries **2** marks. **(8×2=16)**

   a) What is cost unit ?

   b) What is ABC analysis ?

   c) What is variable cost ? Give two examples.

   d) Annual demand for material – 3600 units, cost of placing the order ₹ 50, storage cost per unit per year ₹ 1, calculate EOQ.

   e) Give the meaning of overtime.

   f) What is the difference between allocation and apportionment of overheads ?

   g) What is absorption of overheads ?

   h) What is prime cost ?

   i) What is Base stock ?

   j) What are 'Notional Expenses' ? Give examples.

SECTION – B

Answer **any three** of the following : **(3×8=24)**

2. State the fundamental requirements of installing a Cost Accounting System.

3. From the following particulars compute Machine Hour Rate.

	₹
Cost of machine	1,30,000
Anticipated life of machine	10 years
Installation charges	20,000
Scrap value	10,000
Rent and rates per annum	16,000
Insurance per month	500

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Repairs per annum	9,000
Consumable stores per annum	3,000
Total manufacturing services	2,000
Power cost is 5 units per hour	@ 40 paise per unit
Setting up time (Non-productive)	700 hours

Number of working days in a year 300 and 9 working hours each day.

4. A workman's wage for a guaranteed 44 hour week is ₹ 10 per hour. The estimated time to produce one article is 30 minutes and under the incentive scheme, the time allowed is increased by 20%. During a particular period the worker manufactured 100 articles. Calculate his Gross Wages under each of the following methods :
   a) Halsey Bonus Method
   b) Rowan Bonus Method.

5. Two components X and Y are used as follows.

Minimum usage	25 units per week each
Maximum usage	75 units per week each
Re-order quantity	X : 300 units
	Y : 500 units
Re-order period	X : 4 to 6 weeks
	Y : 2 to 4 weeks.

   Calculate for each component :
   a) Reorder level
   b) Minimum level
   c) Maximum level and
   d) Average stock level.

SECTION – C

Answer question No. **10** and **any three** of the remaining questions. **Each** question carries **15** marks. **(4×15=60)**

6. Bharath Ltd. furnishes the following stores transactions from March 2016 :

March 2016

1st	Opening balance 25 units, value ₹ 162.50
4th	Issues Req. No. 85 – 8 units
6th	Receipts from B and Co. – 50 units at ₹ 5.75/unit
7th	Issues Req. No. 97 – 12 units
10th	Returns to B and Co. – 10 units
12th	Issues Req. No. 108 – 15 units
13th	Issues Req. No. 110 – 20 units

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15th Receipts from M and Co. – 25 units at ₹ 6.10 per unit.
17th Issues Req. No. 121 – 10 units
19th Received replacement from B and Co. – 10 units
20th Returned from department material of B and Co. – 5 units
22nd Transfer from Job 182 to Job 187 in the department – 5 units
26th Issues Req. No. 146 – 10 units
29th Transfer from Dept. A to Dept. B – 5 units.
30th Shortage in stock taking – 2 units

Write up the priced stores ledger on FIFO and LIFO method.

7. Prepare a Reconciliation Statement to show the profit as per financial accounts.

	₹
Profit as per cost accounts	1,15,200
Over absorption of works overheads in cost accounting	2,200
Provision for doubtful debts	1,600
Preliminary expenses written off	24,400
Transfer fees received	3,400
Underwriting commission paid	10,000
Discount on issue of shares	12,400
Dividend received	14,600
Under recovery of depreciation in cost accounting	1,600
Under valuation of closing stock in financial accounts	2,400
Notional interest in cost accounts	2,600
Rent received not accounted in costing	23,000
Bank interest credited in financial accounts	2,500

8. From the following particulars, work out the earning of worker for a week under
   a) Straight piece rate
   b) Differential piece rate
   c) Halsey premium scheme (50% sharing) and
   d) Rowan premium scheme.

Weekly working hours – 48
Hourly wage rate – ₹ 7.50
Piece rate per unit – ₹ 3.00
Normal time taken per piece – 24 minutes
Normal output per week – 120 pieces
Actual output for the week – 150 pieces
Differential piece rate – 80% of piece rate.
When output is below normal and 120% of piece rate when output is above normal.

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9. ATG Ltd. is a manufacturing Co. having three production departments A, B and C and two service department X and Y. The following is the budget for December.

	₹
Factory rent	4,000
Power	2,500
Depreciation	10,000
Other overheads	9,000

	Departments				
	A (₹)	B (₹)	C (₹)	X (₹)	Y (₹)
Direct material	1,000	2,000	4,000	2,000	1,000
Direct wages	5,000	2,000	8,000	1,000	2,000
Area (sq. feet)	500	250	500	250	500
Capital value of asset	20,000	40,000	20,000	10,000	10,000
Machine hours	1,000	2,000	4,000	1,000	1,000
Horse-power of machines	50	40	20	15	25

A technical assessment of the apportionment of expenses of service departments is as under :

Service Department	A(%)	B(%)	C(%)	X(%)	Y(%)
X	45	15	30	–	10
Y	60	35	–	5	–

Prepare (i) A statement showing re-distribution of service department 'X' and 'Y' expenses to production departments. (ii) Comprehensive machine hour rates of production departments.

10. From the following particulars, you are required to prepare a statement of cost.

	₹
Stock of finished goods on 31-12-2014	80,000
Stock of raw materials on 31-12-2014	95,000
Purchase of raw materials	6,50,000
Wages (Productive)	4,75,000
Sale of finished goods	15,00,000
Stock of finished goods on 31-12-2015	6,74,000
Stock of raw materials on 31-12-2015	75,000
Works overhead charges	95,000
Office and general expenses	1,86,000

The company is about to send a tender for a large plant. The costing department estimates that the materials would cost ₹ 84,500 and wages to workment ₹ 68,400. The tender is to be made at a net profit of 20% on the selling price.

Show what the amount of tender would be, if based on the percentages.

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