

END TERM EXAMINATION

SECOND SEMESTER [BBA] MAY-JUNE-2015

Paper Code: [BBA/TTM/B&I/MOM] 110

Subject: Cost Accounting

Time : 3 Hours

Maximum Marks : 75

Note: Attempt any five questions. Simple calculator is permitted.

Q1. (a) Define the term Cost, Costing, Cost Accounting and Cost Accountancy. (8)

(b) What is the meaning of life cycle costing? State its importance & limitations. (7)

Q2. At the beginning of October 2013 Quality Brush Company had in stock 10,000 brushes value at Rs. 10 each. Further purchases were made during the month as follows:

7 th October 4000 Brushes @ 12.50	Issues to shop floor were as follows
14 th October 6000 Brushes @ 15	16 th October 16000 Brushes
24 th October 8000 Brushes @ 16.50	28 th October 10000 Brushes

You are required to prepare a stores ledger card for the month of October on the assumptions that materials were issued on the basis of FIFO and LIFO. (15)

Q3. (a) Distinguish between Halsey Plan and Rowan Plan. (6)

(b) What do you mean by labour turnover? How would you treat labour turnover cost in Cost Accounting? (5+4=9)

Q4. The cost accountant of a newly formed company was asked to establish a predetermined rate for applying overhead to the job moving through a single manufacturing shop and to check results periodically. After consulting various departments estimated and actual data for the year 2013 is as follows;

Direct labour hours	Estimated (144,000)	Actual (121,500)
Factory Supervision	50,000	51,000
Indirect labour	115,000	99,000
Inspection	70,000	73,000
Maintenance	35,000	39,000
Indirect Material	25,000	20,000
Heat, Light and Power	20,000	18,000
Depreciation	35,000	35,000
Miscellaneous factory	10,000	3,000

At the end of 2013, the first year of operations, the actual results were recorded against each item above. You are required to compute the predetermined overhead rate, based on direct labour hours. Also compute the incurred overhead rate. (15)

- Q5. On 1st April 2013, Delux Ltd. Undertook a contract for Rs. 500,000. On 31st April 2014, when the accounts were closed, the following details about the contract were gathered.

Material Purchased	100,000
Wages Paid	45,000
General Expenses	10,000
Plant purchased	50,000
Material on hand (1.04.2013)	25,000
Wages accrued (31.04.2014)	5,000
Work certified	200,000
Cash received	150,000
Work Uncertified	15,000
Depreciation of plant	5,000

The above contract has an escalation clause which reads as follows:

"In the event of prices of materials and rates of wages increase by more than 5% the contract price would be increased accordingly by 25% of the rise in the cost of materials and wages beyond 5% in each case".

It was found that since the date of signing the agreement, the prices of materials and wage rates increased by 25%. The value of the work certified does not take into account the effect of the above clause. Prepare the contract account. **(15)**

- Q6. A factory incurred the following expenditure during the year 2013.

Director material consumed	12,00,000	
Manufacturing wages	7,00,000	
Manufacturing overhead		
Fixed	3,60,000	
Variable	<u>2,50,000</u>	<u>6,10,000</u>
		25,10,000

In the year 2011, following changes are expected in production and cost of production.

- Production will increase due to recruitment of 60% more workers in the factory.
- Overall efficiency will decline by 10% on account of recruitment of new workers.
- There will be an increase of 20% in fixed overhead and 60% in variable overhead.
- The cost of direct material will be decreased by 6%.
- The company desire to earn a profit of 10% on selling price.

Ascertain the cost of production and selling price. **(15)**

- Q7. The product of a company passes through three different process, X,Y, Z. It is ascertained from past experience that wastage in each process is incurred as under.

Process X 2% Process Y 5% Process Z 10%.

The % of wastage in each case is computed on the basis of number of units entering the process concerned.

The wastage of each process has scrap value. The wastage of process X and Y is sold at Rs. 1 per unit and that of process Z at Rs. 4 per unit. The company gives you the following information for the month of July 2013.

2000 units of crude material were introduced in Process X at a cost of Rs. 8 per unit. Besides this the following were other expenses:

	Process X	Process Y	Process Z
Material Consumed	8000	3000	2000
Direct Labour	12000	8000	6000
Work expenses	2000	1000	3000
	Unit	Unit	Unit
Output	1950	1925	1590
Stock on: July 1	200	300	500
July 31	150	400	----
Stock valuation on July 1, per unit	Rs. 19	27	36.5

Stocks on 31st July 2013 are to be valued at cost as shown by month's production account. Prepare process account. **(15)**

- Q8. Write short note on **any two** of following: **(2x7.5=15)**
- Joint Product and By-Product
 - Operating Costing
 - Reconciliation of Cost Account and Financial Account
