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(October)

BUSINESS ADMINISTRATION

(Honours)

(Cost and Management Accounting)

(BBAC–301)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

UNIT—I

1. *(a)* Explain briefly the objectives of cost accounting. 5

   (b) Distinguish between cost accounting and management accounting. 4

   (c) Write short notes on the following : 2×3=6

   (i) Sunk cost

   (ii) Out of pocket cost

   (iii) Differential cost

OR

2. From the following particulars relating to the production and sales for the year ended on 31st December, 2016, prepare a Cost Sheet showing prime cost, works cost, cost of production, cost of goods sold, cost of sales and profit : 15

Stock as on 01.01.2016 :

1. Raw materials—₹ 25,000
2. Work-in-progress—₹ 36,000
3. Finished goods (at cost)—₹ 1,44,000

Raw materials purchased—₹ 2,00,000

Carriage on purchase—₹ 10,000

Works overhead charges—₹ 1,44,000

Chargeable expenses—₹ 50,000

Direct labour—₹ 2,70,000

Administrative expenses—₹ 1,00,000

Selling expenses—₹ 54,000

Distribution expenses—₹ 36,000

Sale proceeds of finished goods (30000 units)—₹ 9,00,000

Stock as on 31.12.2016 :

1. Raw materials—₹ 45,000
2. Work-in-progress—₹ 54,000
3. Finished goods at cost (10000 units)—₹ ?

Finished goods produced—32000 units

(Apply FIFO principle in finished goods valuation.)

UNIT—II

3. *(a)* What are meant by allocation, apportionment and absorption of overheads? 2+2+2=6

(b) Write brief notes on any *three* of the following : 3×3=9

(i) Halsey premium plan

(ii) Economic order quantity

(iii) FIFO method of pricing of materials

(iv) Labour turnover

(v) Reorder level

OR

4. A factory has three production departments *A*, *B* and *C* and two service departments *P* and *Q*. The departmental overhead distribution summary shows the following :

Departments	₹
A	6,50,000
B	6,00,000
C	5,00,000
P	1,20,000
Q	1,00,000

The service departmental expenses are allotted on a percentage basis as follows :

	A	B	C	P	Q
P	30%	40%	15%	—	15%
Q	40%	30%	25%	5%	—

Show how the expenses of the two service departments are to be charged to production departments under *(a)* repeated distribution method, and *(b)* simultaneous equations method.

7+8=15

UNIT—III

5\. *(a)* The following is the Trial Balance of Vivek Construction Company, engaged on the execution of Contract No. 303, for the year ended on 31st December, 2016 :

	Debit ₹	Credit ₹
Contractee's A/c—Amount received		3,00,000
Building	1,60,000	
Creditors		72,000
Bank balance	35,000	
Capital A/c		5,00,000
Materials	2,00,000	
Wages	1,80,000	
Expenses	47,000	
Plant	2,50,000	
	8,72,000	8,72,000

The work on Contract No. 303 was commenced on 1st January, 2016. Materials costing ₹ 1,70,000 were sent to the site of the contract but out of these, materials of ₹ 6,000 were destroyed in an accident. Wages of ₹ 1,80,000 were paid during the year. Plant costing ₹ 50,000 was used on the contract all through the year. Plant with a cost of ₹ 2,00,000 was used from 1st January to 30th September and was then returned to the stores. Materials of the cost of ₹ 4,000 were at site on 31st December, 2016.

The contract was for ₹ 6,00,000. Work certified was 80% of the total contract work at the end of 2016. Uncertified work was estimated at ₹ 15,000 on 31st December, 2016. Expenses are charged to the contract at 25% of wages. Plant is to be depreciated at 10% for the entire year.

Prepare Contract No. 303 A/c for the year 2016.

9

(b) Write brief notes on the following : 2×3=6

(i) Activity based costing

(ii) Escalation clause in contract

(iii) Job costing

OR

6. In a factory, a product is produced through two distinct processes : Process—A and Process—B. On completion the product is transferred to finished stock. During the month of September 2016, the following information was obtained :

	Process—A	Process—B
Units introduced	2000	—
Units transferred to next process	1800	—
Units transferred to finished stock	—	1750
Value of units introduced (₹)	11,000	—
Materials (₹)	—	1,000
Labour (₹)	7,300	4,500
Overhead (₹)	2,800	2,240

The normal loss in each process is 5% and it was sold at ₹ 2 per unit. There was no stock of raw materials or work-in-progress at the beginning or at the end of the month.

Prepare the process A/c, Normal Loss A/c, Abnormal Loss A/c and Abnormal Gain A/c. 15

UNIT—IV

7. (a) The following is the budget of Reflex company :

	₹
Budgeted Sales : 200000 units @ ₹ 25 each	50,00,000
Budgeted Fixed cost	18,00,000
Budgeted Variable cost	26,00,000
Budgeted Total cost	44,00,000
Budgeted Profit	6,00,000

Compute the break-even point (in units) in the following independent situations if a 10% increase—

(i) is effected in fixed cost;

(ii) is effected in variable cost;

(iii) in fixed cost and 5% decrease in variable costs are effected. 3×3=9

(b) The following figures are available from the records of V. K. Enterprises as on 31st December :

	2015 ₹	2016 ₹
Sales	15,000	20,000
Profit	3,000	5,000

Calculate—

(i) the P/V ratio and total fixed expenses;

(ii) the break-even level of sales (in ₹);

(iii) sales (₹) required to earn a profit of ₹ 9,000. 2×3=6

OR

8. *(a)* "Marginal costing is a very useful technique to management for cost control, profit planning and decision making." Explain the statement with suitable examples. 10

(b) Distinguish between break-even chart and profit chart. 5

UNIT—V

9. A company manufacturing distempers operates a standard costing system. The standard cost of one of the products of the company shows the following standards :

Material	*Quantity* (kg)	*Standard price per kg* ₹	*Amount* ₹
A	40	75	3,000
B	10	50	500
C	50	20	1,000
	100		4,500

The standard input mix is 100 kg and the standard output of the finished product is 90 kg. The actual results for the period are :

Materials used :

A—24000 kg @ ₹ 80 per kg

B—4000 kg @ 52 per kg

C—22000 kg @ 21 per kg

(Continued)

Actual output of the finished product is 40500 kg. You are required to calculate—

(a) material cost variance;

(b) material price variance;

(c) material total usage variance;

(d) material mix variance;

(e) material yield variance. 3×5=15

OR

10. A company is expecting to have ₹ 50,000 cash in hand on 1st April, 2017 and it requires to prepare cash budget for the three months, April to June 2017. The following information is supplied to you : 15

	Sales ₹	*Purchases* ₹	*Wages* ₹	*Expenses* ₹
February	1,40,000	80,000	16,000	12,000
March	1,60,000	1,00,000	16,000	14,000
April	1,84,000	1,04,000	18,000	14,000
May	2,00,000	1,20,000	20,000	16,000
June	2,40,000	1,10,000	24,000	18,000

Other Information :

(i) Period of credit allowed by suppliers 2 (two) months

(Turn Over)