

3/H-65 (vii) (Syllabus-2015)

2 0 1 8

(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) Define 'cost', 'costing' and 'cost accounting'. 2+2+2=6
- (b) What are the differences between Cost Accounting and Financial Accounting (any five points)? 5
- (c) Write notes on the following : 2×2=4
- (i) Cost unit
- (ii) Cost centre

Or

- (a) What is cost sheet? Why is it prepared? 3

(2)

- (b) The following data related to the manufacturing of a standard product during the month of March, 2017 :

Raw materials consumed—₹ 20,000
Direct wages—₹ 12,000
Machine hours worked—1000 hours
Machine hour rate—₹ 2 per hour
Office overhead—20% on works cost
Selling overhead—₹ 0.40 per unit
Units produced—20000 units
Units sold—18000 units at ₹ 5 per unit

Prepare a cost sheet to show—

- (i) prime cost;
(ii) works cost;
(iii) cost of production;
(iv) cost of goods sold;
(v) cost of sales;
(vi) profit.

2×6=12

UNIT—II

2. (a) The following are the details supplied by 'PAYAL CORPORATION' in respect of its raw materials for the month of December, 2017 :

Date	Receipts		Issues
	Units	Price per Units (₹)	Units
1.12.2017	2000	5.00	—
7.12.2017	1000	6.00	—
10.12.2017	—	—	2500
15.12.2017	2000	6.50	—
31.12.2017	—	—	2200

(Continued)

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(3)

On 31.12.2017 a shortage of 100 units was found. Find the values of issues and resulting stocks on different dates using (i) LIFO and (ii) FIFO methods.

3×2=6

- (b) About 50 items are required everyday for a machine. A fixed cost of ₹ 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to ₹ 0.02 per day. The lead period is 32 days. Compute economic order quantity and re-order level. 3×2=6
- (c) What is ABC analysis of materials? 3

Or

- (a) During a certain week in the month of September, 2017, a worker manufactured 240 articles. Working hours during a week are 48 hours, standard rate ₹ 5.00 per hour and standard time to manufacture an article is 15 minutes. Calculate his gross wages for the week according to the following :

2×3=6

- (i) Piecework with guaranteed weekly wages
(ii) Rowan Premium Bonus Plan
(iii) Halsey Premium Bonus Plan

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(4)

- (b) During the year ended 31st March, 2017, the factory overhead costs of three production departments of an organisation are as under :

	₹
X	48,950
Y	89,200
Z	64,500

The basis of apportionment of overheads is given below :

Department X—₹ 5 per machine hour for 10000 hours

Department Y—75% of Direct labour cost of ₹ 1,20,000

Department Z—₹ 4 per piece for 15000 pieces

Calculate departmentwise under- or over-absorption of overheads and present the data in a tabular form.

UNIT—III

3. SUBU Ltd. processes a patent material used in buildings. The material is produced in three consecutive grades, i.e., soft, medium and hard :

	Process-1	Process-2	Process-3
Raw materials used	1000 tonnes	—	—
Cost per tonne	₹ 200	—	—
Manufacturing wages and expenses	₹ 87,500	₹ 39,500	₹ 10,710
Weight lost (% of input of the process)	5%	10%	20%

(Continued)

(5)

	Process-1	Process-2	Process-3
Scrap (sale price ₹ 50 per tonne)	50 tonnes	30 tonnes	51 tonnes
Sale price per tonne	₹ 350	₹ 500	₹ 800

Management expenses were ₹ 17,500 and selling expenses ₹ 10,000. Two-thirds of the output of Process—1 and one-half of the output of Process—2 are passed on to the next process and the balances are sold. The entire output of Process—3 is sold. Prepare the three process accounts and a statement of profit or loss.

5+5+5=15

Or

- (a) Distinguish between Job Costing and Contract Costing.

5.

- (b) The following information relates to a building contract for ₹ 10,00,000 :

	2016 (₹)	2017 (₹)
Materials issued	3,00,000	84,000
Direct wages	2,30,000	1,05,000
Direct expenses	22,000	10,000
Indirect expenses	6,000	1,400
Work certified	7,50,000	10,00,000
Work uncertified	8,000	—
Materials on site	5,000	7,000
Plant issued	14,000	2,000
Cash received	6,00,000	10,00,000

The values of plant at the end of 2016 and 2017 were ₹ 7,000 and ₹ 5,000 respectively.

Prepare Contract Account and Contractee's Account for the year 2016 and 2017.

5+5=10

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(6)

UNIT—IV

4. (a) Distinguish between Absorption costing and Marginal costing (any five points). 5
- (b) Calculate : $2\frac{1}{2} \times 4 = 10$
- (i) P/V ratio
- (ii) The amount of fixed expenses
- (iii) The number of units to break-even
- (iv) The number of units to earn a profit of ₹ 40,000

The selling price per unit is ₹ 100.

The company sold in two successive periods 7000 units and 9000 units and has incurred a loss of ₹ 10,000 and earned ₹ 10,000 as profit respectively.

Or

A manufacturer is operating at 50% of its capacity due to competition. The following are the details :

	₹ per unit
Raw materials	6.00
Direct labour	4.00
Variable overhead	3.00
Fixed Overhead	2.00
	<u>15.00</u>
Output	15000 units
Total cost	₹ 2,25,000
Sales value	₹ 2,10,000
Loss	<u>15,000</u>

(Continued)

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(7)

A foreign customer wants to buy 6000 units at ₹ 13.50 per unit and the manufacturer does not know whether to accept or not as it is suffering losses at the current level.

Advise whether the manufacturer should accept or reject this order.

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UNIT—V

5. From the following data, calculate the following variances : $3 \times 5 = 15$

- (a) Material cost variance
- (b) Material price variance
- (c) Material quantity variance
- (d) Material mix variance
- (e) Material yield variance

Materials	Standard		Actual	
	Qty.	Unit Price	Qty.	Unit Price
A	60%	₹ 20	88	₹ 30
B	40%	₹ 10	132	₹ 10

Standard loss : 10%

Actual output : 180 units

Or

- (a) Distinguish between fixed budgeting and flexible budgeting.

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- (b) A factory is currently running at 50% capacity and produces 5000 units at a cost of ₹ 90 per unit as per details given below :

	₹
Materials	50
Labour	15
Factory overheads	15 (₹ 6 fixed)
Administrative overheads	10 (₹ 5 fixed)

The current selling price is ₹ 100 per unit. At 60% capacity, material cost per unit increases by 2% and selling price per unit falls by 2%.

At 80% capacity, material cost per unit increases by 5% and selling price per unit falls by 2.5%.

Prepare a flexible budget showing profits of the factory at 60% and 80% capacity and offer your comments.

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