2022

(February)

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)* What is Cost Accounting? Distinguish between Financial Accounting and Cost Accounting. 2+7=9

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

(i) Cost ascertainment

(ii) Cost control

(iii) Profit centre

Or

From the following particulars relating to the production and sales for the year ended 31st March, 2020, prepare a Statement of Cost showing Prime Cost, Works Cost, Cost of Production, Cost of Sales and Profit : 15

Opening inventory	*1.4.2019.*	*31.3.2020*
Raw materials	₹ 6,000	₹ 7,000
Work in progress	9,620	8,020
Finished goods	100 units @ 13680	?

Raw materials purchased	₹ 72,000
Productive wages	₹ 18,000
Machine hour work	21600 hours
Machine hour rate	₹ 1·5
Chargeable expenses	₹ 16,400
Office and administrative overheads	₹ 1/unit
Selling overhead	₹ 0·9/unit
Units sold	8000 units
Units produced	8200 units
Profit on sales	10%

Assume the sales are made on FIFO basis.

UNIT—II

2. *(a)* A manufacturer uses 75000 units of a particular material per annum. The material cost is ₹ 1·5 per unit and the carrying cost is estimated to be 25% per

annum of the average inventory cost. The cost of placing an order is ₹ 18. You are required to determine Economic Order Quantity and frequency of order per annum. 6

(b) Write notes on the following : 3×3=9

(i) Store ledger

(ii) Just-in-time purchasing (JIT)

(iii) Periodic inventory system

Or

A company has three production departments and two service departments. Distribution summary of overheads is as follows :

Production department	₹	*Service department*	₹
A	3,000	1	234
B	2,000	2	300
C	1,000		

The expenses of service departments are charged on a percentage basis which is as follows :

	A	*B*	*C*	*1*	*2*
1	20%	40%	30%	–	10%
2	40%	20%	20%	20%	–

Find out the total overheads of production departments using Simultaneous Equations Method. 15

UNIT—III

3. *(a)* Distinguish between Job Costing and Batch Costing. 6

(b) Write notes on the following : 3×3=9

(i) Activity-based costing

(ii) Profit on uncompleted contract

(iii) Contract costing

Or

A product passes through two processes *A* and *B* and then to finished stock. The normal wastage of each process is 3% and 5% of the units introduced in each process respectively. The scrap of process *A* is sold at ₹ 5 per unit and that of process *B* at ₹ 10 per unit. 10000 units are introduced in process *A* at a cost of ₹ 20 per unit. The other expenses are :

Particulars	*Process A*	*Process B*
Wages	₹ 1,20,000	₹ 1,90,000
Manufacturing expenses	₹ 21,000	₹ 23,750
Actual production	9500 units	9100 units

Prepare Process Accounts and Finished Goods Accounts. 15

UNIT—IV

4. *(a)* A company makes plastic buckets. An analysis of their accounting reveals the following :

Variable cost per bucket ₹ 20
Fixed cost ₹ 50,000 per annum
Capacity 2000 per annum
Selling price per bucket required ₹ 70

You are required to find out the following : 2+3+4=9

(i) BEP

(ii) Number of buckets to be sold to earn a profit of ₹ 30,000

(iii) If the company can manufacture 600 buckets more per year with an additional fixed cost of ₹ 2,000, what would be the selling price to maintain the profit per bucket as at *(ii)* above.

(b) Differentiate between absorption costing and marginal costing. 6

Or

(a) A company has annual fixed cost of ₹ 14,00,000. In 2020 sales amounted to ₹ 60,00,000 as compared with ₹ 45,00,000 in 2019 and profit in 2020 was ₹ 4,20,000 higher than in 2019.

(i) At what level of sales does the company break-even?

(ii) Determine profit or loss on a present sales volume of ₹ 80,00,000.

(iii) If there is reduction in selling price in 2020 by 10% and the company desires to earn the same profit as in 2020, what would be the required sales volume? 2+3+4=9

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

(i) Margin of safety

(ii) Angle of incidence

UNIT—V

5. 80 kg of material *A* at standard price of ₹ 2 per kg and 40 kg of material *B* at standard price of ₹ 5 per kg were to be used to manufacture 100 kg of a chemical. During a month, 70 kg of material *A* priced at ₹ 2·1 per kg and 50 kg of material *B* priced at ₹ 4·5 per kg were actually used and the output of the chemical was 102 kg. Find : 3×5=15

(a) Material cost variance

(b) Material price variance

(c) Material usage variance

(d) Material mixed variance

(e) Material yield variance

Or

From the following information, prepare cash budget for April, May and June, 2020 : 15

Months	*Sales* (₹)	*Purchases* (₹)	*Wages* (₹)	*Expenses* (₹)
January	16,000	9,000	4,000	1,000
February	16,000	8,000	3,600	1,200
March	15,000	8,400	4,400	1,200
April	18,000	10,000	4,800	1,400
May	17,500	9,000	4,000	1,200
June	16,000	7,000	3,600	1,000

Additional information :

(i) 10% of purchases and sales are cash

(ii) Wages are paid half-monthly

(iii) Expenses are paid after one month lag

(iv) The average collection period is half month, i.e., ½ of the amount is received during the month

(v) Credit purchases are paid after one month regularly

(vi) There was no opening balance of cash on 1st April, 2020

★★★