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MS – 446

**IV Semester B.B.M. Examination, May/June 2014
(Semester Scheme) (Repeaters) (Prior to 2012-13)
BUSINESS MANAGEMENT
Paper – 4.3 : Cost Accounting**

Time : 3 Hours

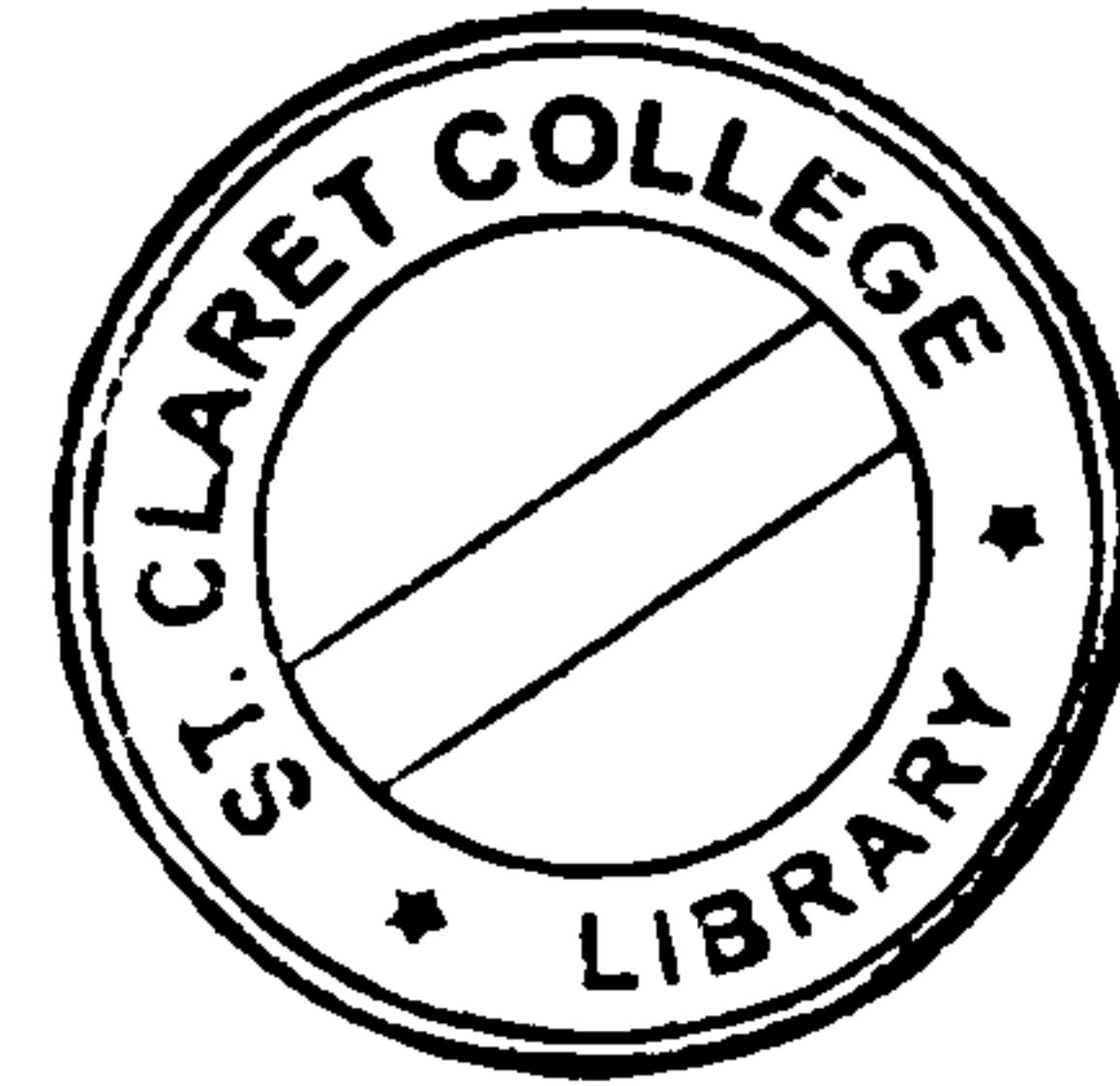
Max. Marks : 90

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

SECTION – A

Answer **any ten** sub-questions. **Each** sub question carries **2** marks. (10×2=20)

1. a) What is direct material cost ? Give an example.
- b) What is variable cost ? Give two examples.
- c) Differentiate between costing and cost accounting.
- d) Define material control.
- e) What is idle time ?
- f) What is the time rate system of wage payment ?
- g) What is secondary distribution of overhead ?
- h) What is meant by Cost Plus Contract ?
- i) Mention any two industries where process costing is used.
- j) Mention any two items included in cost accounts but not in financial accounts.
- k) What is meant by absorption of overhead ?
- l) What do you mean by "Retention money" in contract accounts ?



SECTION – B

Answer **any five** questions. **Each** question carries **5** marks. (5×5=25)

2. What are the objectives of Inventory Control ?
3. How is profit computed on incomplete contracts ?

P.T.O.



4. Compare the merits and demerits of time and piece rate systems of labour remuneration.
5. Record the following transactions in Stores Ledger, pricing the materials under FIFO method :

May 1 Balance 50 units at Rs. 25 per unit
 3 Received 300 units at Rs. 30 per unit
 5 Issued 200 units
 7 Issued 120 units
 8 Received back 10 units (issued on 7th May)
 10 Returned to vendor 15 units purchased on 3rd May
 15 Received 200 units at Rs. 32 per unit
 18 Issued 150 units
 19 Issued 50 units

The stock verifier found a shortage of 10 units on 20th May and left a note.

6. From the following particulars, prepare a statement of cost :

	₹
Stock of raw materials on 1-1-2011	37,500
Purchase of raw materials	1,25,000
Productive wages	60,000
Stock of finished goods on 1-1-2011	1,07,500
Works expenses	45,000
Administration expenses	67,500
Selling expenses	62,500
Sales during the year	3,75,000
Stock of raw materials on 31-12-2011	42,500
Stock of finished goods on 31-12-2011	1,50,000

Also, calculate the percentage of works overhead to productive wages and the percentage of administration expenses to works cost.



7. On the basis of following information, calculate the earnings of a worker on (i) Straight piece basis and (ii) Taylor's differential piece rate system :

Standard production – 8 units per hour

Normal time rate – Rs. 4 per hour.

Differentials to be applied :

- a) 80% of piece rate below standard.
- b) 120% of piece rate above standard.

In a 9 hour day, the worker produced 54 units.

8. Compute the machine hour rate from the following :

₹

Cost of machine 11,000

Scrap value 680

Repairs for the effective working life 1,500

Standing charges for 4 weekly period 1,600

Effective working life 10,000 hours

Power used 6 units per hour @ 5 paise per unit

Hours worked in 4 weekly period – 120 hours.

9. The following expenditure was incurred on a contract of Rs. 12,00,000 for the year ending 31-12-2013 :

Materials – ₹ 2,40,000, Wages – ₹ 3,28,000, Plant – ₹ 40,000, Overheads – ₹ 17, 200.

Cash received on account of the contract was Rs. 4,80,000 being 80% of the work certified. The value of materials in hand was Rs. 20,000. The plant had undergone 20% depreciation.

Prepare Contract Account.



SECTION – C

Answer **any three** questions. **Each** question carries **15** marks.

(3×15=45)

10. The directors of a manufacturing business require a statement showing the production results of the business for the month of March. The accounts reveal the following information.

	₹
Stock on hand 1 st March	
Raw materials	25,000
Finished goods	17,360
Stock on hand 31 st March	
Raw materials	26,250
Finished goods	15,750
Purchase of raw materials	21,900
Work-in-progress 1 st March	8,220
Work-in-progress 31 st March	9,100
Sale of finished goods	72,310
Direct wages	17,150
Non-productive wages	830
Works expenses	8,340
Office and administrative expenses	3,160
Selling and distribution expenses	4,210

Prepare a cost sheet.



11. You are required to prepare a contract account showing the profit on contract ending with 31st March, 2013 from the following particulars. Also show how the values would appear in the next year's contract account :

	₹
Contract price	1,00,000
Materials sent to site	32,250
Labour engaged on site	27,400
Plant installed at site	5,650
Work certified	71,500
Cash received from contractee	65,000
Value of plant (31 st March)	4,100
Cost of work done but not certified	1,700
Direct expenditure	1,200
Cost of establishment	1,625
Wages outstanding	900
Materials on hand (31 st March)	700
Direct expenses outstanding	100
Materials returned to store	200



12. A product passes through three processes A, B and C. The normal wastage of each process is as follows : Process A – 3%, Process B – 5% and Process C – 8%. Wastage of Process A was sold at 25 paise per unit, that of Process B at 50 paise per unit and that of Process C at Re. 1 per unit.

10,000 units were issued to Process A on 1-1-2013 at a cost of Re. 1 per unit.

The other costs were as follows :

Particulars	Process A	Process B	Process C
Sundry materials	Rs. 1,000	Rs. 1,500	Rs. 500
Labour	Rs. 5,000	Rs. 8,000	Rs. 6,500
Direct expenses	Rs. 1,050	Rs. 1,188	Rs. 2,009
Actual output	9,500	9,100	8,100
	(units)	(units)	(units)

Prepare process accounts assuming that there were no opening or closing stocks. Also give the abnormal wastage and abnormal gain accounts.

13. Mr. Kiran owns a fleet of taxis and the following information is available from his records :

Number of taxis	10
Cost of each taxi	Rs. 20,000
Salary of manager	Rs. 600 p.m.
Salary of accountant	Rs. 500 p.m.
Salary of cleaner	Rs. 200 p.m.
Salary of mechanic	Rs. 400 p.m.
Garage rent	Rs. 600 p.m.
Insurance premium	5% p.a.
Annual tax	Rs. 600 per taxi
Driver's salary	Rs. 200 p.m. per taxi
Annual repair	Rs. 1,000 per taxi

Total life of a taxi is 2,00,000 k.m. A taxi runs in all 3,000 k.m. in a month of which 30% it runs empty. Petrol consumption is one litre for 10 k.m. @ Rs. 11.80 per litre. Oil and other sundries are Rs. 5.00 per 100 k.m.

Calculate the cost of running a taxi per k.m.



14. The net profit of a company appeared at Rs. 64,377 as per the financial records for the year ended 31st March 2013. The cost books however showed a net profit of Rs. 86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following facts :

	₹
Works overhead under recovered in costs	1,560
Administrative overheads excess recovered in costs	850
Depreciation charged in financial accounts	5,600
Depreciation recovered in cost books	6,250
Interest on investments not included in costs	4,000
Loss due to obsolescence in financial books	2,850
Income tax provided in financial accounts	20,150
Bank interest and transfer fee in financial books	375
Stores adjustment credited in financial books	237
Loss due to depreciation in stock charged in financial accounts	3,375

Prepare a statement showing the reconciliation of profit between cost accounts and financial accounts.
