MS – 438

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IV Semester B.B.M. Examination, May/June 2014
(Semester Scheme) (2013-14 & Onwards)
(Freshers)
Business Management
Paper – 4.6 : COST ACCOUNTING

Time : 3 Hours Max. Marks : 100

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

SECTION – A

Answer **any eight** sub-questions. **Each** sub-question carries **two** marks. **(8×2=16)**

1. a) Define cost accounting.
   b) What is cost centre ?
   c) What is Prime cost ?
   d) What is VED Analysis ?
   e) What is FIFO ?
   f) What is idle time ?
   g) How do you calculate wages under piece rate system ?
   h) Define overheads.
   i) What is Apportionment ?
   j) Mention any two reasons for difference in profits or loss shown by Cost Accounts and Financial Accounts.

SECTION – B

Answer **any three** questions. **Each** question carries **eight** marks. **(3×8=24)**

2. Distinguish between Cost and Financial Accounting.
3. Briefly explain the various stock levels.
4. During first week of April Mr. X Manufactured 600 articles. He receives wages for a guaranteed 48 hours week at ₹ 8 per hour. The estimated time to produce one article is 5 minutes and under incentive scheme the time allowed is increased by 20%. Calculate his earnings under a) Halsey Premium Plan b) Rowan Premium Plan.

P.T.O.

5. From the following information prepare stores ledger under LIFO method.

Date	Particulars	Units	Rate per unit
			₹
2014 March 1	Opening stock	800	2
3	Purchases	400	2.4
10	Issues	1000	–
22	Purchases	1400	2.8
31	Issues	1200	–

SECTION – C

Answer question no. **10** and **any three** of the remaining questions. **Each** question carries **fifteen** marks. **(4×15=60)**

6. Two components M & N are used as follows -

Maximum consumption 1,200 units per week each

Minimum consumption 500 units per week each

Re-order quantity – M - 2,600 units

N - 5,000 units

Lead time – M - 1 to $1\frac{1}{2}$ months

N - 2 to 3 months.

Re-order period for emergency supply - M - 2 weeks

N - 3 weeks

Calculate for each component -

a) Re-order level b) Maximum level c) Minimum level

d) Average stock level e) Danger level.

7. In a factory there are three Production Departments P_1, P_2 and P_3 and two Service Departments S_1 and S_2. In March 2014 the departmental expenses were

Production Departments -

P_1 - ₹ 6,50,000, P_2 - ₹ 6,00,000, P_3 - ₹ 5,00,000

Service Departments - S_1 - ₹ 1,20,000, S_2 - ₹ 1,00,000

The Service Departments expenses are apportioned on a percentage basis as follows -

Service Departments ↓	Production Departments			Service Departments	
	P_1	P_2	P_3	S_1	S_2
S_1	30%	40%	15%	–	15%
S_2	40%	30%	25%	5%	–

Prepare a statement showing the distribution of service departments expenses under

a) Simultaneous equation method b) Repeated distribution method.

8. The following particulars relates to a machine, compute the machine hour rate

Cost of machine ₹ 2,00,000

Estimated life of machine 10 years

Scrap value ₹ 20,000

Installation charges ₹ 10,000

Yearly working hours -

(50 weeks of 44 hours each) 2200 hours

Machine maintenance 200 hours p.a.

Machine setting time - 5% of total productive time (regarded as productive time)

Power 16 units per hour at ₹ 2 per unit

Chemicals required weekly ₹ 400

Repairs 4 maintenance ₹ 24,000

Two attendants control the machine operations together with six other identical machines. Their combined weekly wages are ₹ 1,400.

Departmental overheads allocated to this machine is ₹ 40,000 p.a.

9. X-12 Co. Ltd., have furnished the following information from its financial books for the year ended 31st March 2014.

Trading, P & L account

Dr.	₹		₹	**Cr.**
To opening stock (finished goods)	20,000	By sales	6,00,000	
" Purchases	2,80,000	" closing stock (finished goods)	60,000	

" Carriage inwards	30,000		
" Wages	90,000		
" Gross profit	2,40,000		
	6,60,000		**6,60,000**
To salaries	70,000	By Gross Profit	2,40,000
" Rent	50,000	" Commission	12,000
" Depreciation	10,000	" Rent	10,000
" Selling expenses	60,000	" Discount	6,000
" Distribution exp.	30,000		
" Net profit	48,000		
	2,68,000		**2,68,000**

In Cost Account following entries were made -

a) Closing stock of finished goods were valued at ₹ 64,000

b) Depreciation charged at ₹ 10,600

c) Administration overheads (Salary and Rent) absorbed at ₹ 1,10,000

d) Selling expenses are recovered at 9% on sales

e) Distribution expenses are recovered at 6% on sales.

Show the profit as per cost accounts and prepare a reconciliation statement as on 31-3-2014.

10. The following are the costing records for the year 2013 of a manufacturer -

Production 1,000 units

Cost of raw materials ₹ 20,000

Labour cost ₹ 12,000

Factory overheads ₹ 8,000

Office overheads ₹ 4,000

Selling expenses ₹ 1,000

Rate of profit at 25% on selling price

The manufacturer is estimated to produce 1,500 units during 2014. It is estimated that cost of raw materials will increase by 20%, Labour cost will increase by 10%. Selling expenses per unit is reduced by 20%. Rate of profit will remain the same. The factory and office overheads will remain fixed in total as in 2013.

From the above particulars prepare a statement of cost estimate and profit for the year 2014.