LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.B.A.** DEGREE EXAMINATION – **BUSINESS ADMINISTRATION**

FIFTH SEMESTER – NOVEMBER 2012

# BU 5504/BU 5501 - COST ACCOUNTING

 Date : 06/11/2012 Dept. No. Max. : 100 Marks

 Time : 9:00 - 12:00

**PART A**

**Answer ALL questions: (10x2=20 marks)**

1. Mention **two** differences between Bin Card and Stores Ledger.
2. Define Cost Unit. Give an example.
3. What is Economic Batch Quantity?
4. What is a Labour Hour Rate?
5. Fill in the blanks:
6. 200 units closing work in progress 60% complete is equal to ............equivalent units.
7. Staff welfare expenses are apportioned among departments in the ratio of ............
8. From the following particulars, calculate the economic order quantity.

Annual requirements : 1,600 units

Cost of materials per unit : Rs.40

Cost of placing and receiving one order : Rs.50

Annual carrying cost of inventory : 10% of inventory value.

1. Rate per hour Rs.1.50 per hour

Time allowed for job 20 hours

Time taken 15 hours

Calculate the total earnings of the worker under Rowan Plan.

1. Stock as on 1/1/2010 : 1000 units @ Rs.5 per unit

Purchases on 1/1/2010 : 9000 units @ Rs.6 per unit

Sale during the month : 8000 units

Calculate the value of closing stock on 31/01/2010, assuming the weighted average method of pricing is adopted.

1. A machine runs for 2000 hours a month, of which 100 hours is for non-production purposes. The fixed expenses of the machine is Rs.3800 per month and the variable expenses are Rs.3.00 per hour when run for production purposes only.

Calculate the machine hour rate.

1. The joint cost of making 40 units of Product A and 120 units of Product B is Rs.66.The selling price of the products at the split off point are Product A Rs.3 per unit and Product B Rs.2 per unit.

Calculate the share of joint cost of each product, if they are apportioned on sale value basis.

**PART B**

**Answer ANY FIVE questions (5x8=40 marks)**

1. Write short notes on:
2. Labour turnover
3. Treatment of overtime in Cost Accounts.
4. Perpetual Inventory system
5. Retention money
6. Compare and contrast Financial Accounting with Cost Accounting.
7. Calculate the earnings of workers A and B under Straight Piece-rate System and Taylor’s Differential Piece-rate System from the following particulars.

Normal rate per hour : Rs.18

Standard time per unit : 20 seconds

Differentials to be applied:

80% of piece rate below standard

120% of piece rate at or above standard.

Worker A produces 1,300 units per day and worker B produces 1,500 units per day.

1. Calculate the minimum stock level, maximum stock level and re-ordering level from the following information:
2. Minimum consumption : 100 units per day
3. Maximum consumption : 150 units per day
4. Normal consumption : 120 units per day
5. Re-order period : 10-15 days
6. Re-order quantity : 1500 units
7. Normal delivery time : 12 days
8. From the following data prepare a reconciliation statement and ascertain the profit as per the financial accouts:

Rs.

Profit as per cost accounts 1,45,500

Works overheads under-recovered 9,500

Administrative overheads under-recovered 22,750

Selling overheads over-recovered 19,500

Overvaluation of opening stock in cost accounts 15,000

Overvaluation of closing stock in cost accounts 7,500

Interest earned during the year 3,750

Rent received during the year 27,000

Preliminary expenses written off during the year 27,000

1. A product passes through 2 processes, A and B before it is completed.

100 units of raw material are introduced in Process A at a cost of RS.10 per unit. Other details relating to the 2 processes are:

 Process A Process B

Labour Rs.400 Rs.100

Other expenses Rs.202 Rs. 90

Normal loss as a %age of input 10 20

Sale value of normal loss per unit Rs.3 Rs.4

Output in units 75 70

Prepare Process accounts, Abnormal Loss Account and Abnormal Gain Account.

1. The Chennai Transport Co has been given a route 50 kms long to run a bus. The bus costs Rs.4,50,000. It has a life of 5 years and no salvage value. It is insured for 4% per annum and has an annual tax of RS.18,000 per annum. Other details are : Garage rent Rs.4,000 per month; Driver’s salary Rs.6,000 per month; Conductor’s salary : Rs.5,000 per month and office expenses Rs.10,000 per month.

Petrol will cost Rs.100 for 20 kms. The bus will run 3 round trips per day, carrying on an average 40 passengers on each trip. It will run for 30 days in a month.

If the company wants a profit of 20% on takings, what should be the fare per passenger kilometre?

1. The following information has been obtained from the records of Left-Centre Corporation for the period from January 1 to June 30, 2012.

 Rs. Rs.

 Cost of raw materials 30,000 25,000

 Cost of work-in-progress 12,000 15,000

 Transactions during six months are:

 Purchases of raw materials 4,50,000

 Wages paid 2,30,000

 Factory overheads 92,000

 Administration overheads 30,000

 Selling and distribution overheads 20,000

 90% of the production was sold @ a profit of 20% on sales.

 Prepare statement of Cost and Profit.

**PART C**

**Answer ANY TWO questions (2x20=40 marks)**

1. A company undertook a contract for construction of a large building complex. The construction work commenced on 1st April 2011 and the following data are available for the year ended 31st March 2012.

Rs. Rs.

 Contract price 350,000

Work certified 200,000

 Progress payments received 150,000 Site Office cost 10,530

 Materials issued to site 85,000 Direct expenses 9,020

 Direct wages paid 62,500 Work not certified 1,490

 Material returned from site 2,500

The contractors own a plant which originally cost Rs.20,000 has been continuously in use in this contract throughout the year. The residual value of the plant after 5 years of life is expected to be Rs.5,000. Straight line method of depreciation is in use.

As on 31st March 2012 the direct wages due amounted to Rs.2,700 and the materials at site were estimated at Rs.2,000.

1. Prepare the contract account for the year ended 31st March 2012.
2. Show the Contractee’s account.
3. Show the relevant balance sheet entries.
4. Following are the particulars for the production of 2,000 sewing machines of Nath Engineering Co. Ltd., for the year 2011.

Cost of materials Rs.1,60,000; Wages Rs.2,40,000; Manufacturing expenses Rs.1,00,000; Administration expenses Rs.1,80,000; Selling expenses Rs.40,000; Sales Rs.8,00,000.

Prepare a statement of cost and profit for 2011.

The company plans to manufacture 5,000 sewing machines during 2012.

The following additional information is supplied to you:

1. Price of material is expected to rise by 20%
2. Wages rates are expected show a decrease of 10%
3. Manufacturing expenses will rise in proportion to the combined cost of materials and wages.
4. Selling expenses per unit will remain the same
5. Other expenses will remain unaffected by the rise in output.

Prepare a statement showing the price at which the machine should be sold in 2012 to earn a profit of 10% on sales.

1. The “Modern Company” is divided into four departments: A and B are production departments and X and Y are service departments. The actual costs for a period are as follows:

Rs. Rs.

 Rent 1,000 Supervision 1,500

 Repairs to plant 600 Fire insurance in respect of stock 500

 Depreciation of Plant 450 Power 900

 Light 350

 The following information is available in respect of the four departments:

 **Dept A Dept B Dept X Dept Y**

 Area (sq.metres) 1500 1100 900 500

 Number of employees 20 15 10 5

 Direct wages (Rs.) 6000 4000 3000 2000

 Value of Plant (Rs.) 24000 18000 12000 6000

 HP of Plant 24 18 12 6

 Light points 15 10 5 5

 Direct material 4000 3000 1500 1000

 Value of stock 1000 600 400 -

Apportion Service Dept X’s expenses between A, B and Y in the ratio of 2:2:1 and Service Dept Y’s expenses between A and B in the ratio of direct wages.

If the estimated machine hour in Departments A and B are 2000 hours and 1800 hours respectively, calculate the Machine Hour Rate for each department.

@@@@@