

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

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

**FIFTH SEMESTER – November 2009**

**BU 5504/ BU 5501 - COST ACCOUNTING**

Date & Time: 07/11/2009 / 9:00 - 12:00 Dept. No.

Max. : 100 Marks

**PART- A**

**Answer ALL questions**

**(10 x 2 = 20 marks)**

1. State any two differences between 'bin card' and 'stores ledger'.
2. Distinguish between 'Cost unit' and 'Unit cost'.
3. What is Overtime Premium? How is it treated in Cost Accounts?
4. Differentiate between 'Joint Product' and 'By-product'.
5. Explain the meaning of Opportunity Cost with an example.
6. From the following data, calculate the labour turnover rate under Flux method.  
No. of workers at the beginning of the year 3800  
No. of workers at the end of the year 4200  
During the year 40 workers leave, while 160 workers are discharged. 600 workers are recruited during the year, out of these 150 are recruited because of people who leave and the rest due to an expansion programme.
7. A Ltd gives you the following details for the month of October 2009:  
Sales Rs.2,50,000; Stock on 1<sup>st</sup> October 2009 50 units at Rs.1000 per unit  
Purchases : October 10<sup>th</sup> 150 units at Rs.800 per unit; October 20<sup>th</sup> 150 units at Rs.900 per unit. Stock on October 31<sup>st</sup> 200 tonnes. Calculate the value of stock on 31<sup>st</sup> October and the profit for the month, assuming issues are priced under FIFO method.
8. A worker completes a job in a certain number of hours. The standard time allowed for the job is 20 hours and the hourly rate of wages is Rs.2. Under Halsey plan he earns a bonus of Rs.4. Calculate his total earnings under the Rowan Plan.
9. Compute the economic batch quantity from the following data.  
Annual demand for the component 24,000 units.  
Set-up cost per batch Rs.120  
Carrying cost per unit of production 36 paise.
10. Explain the basis for apportioning the following overheads between different departments:
  - a) Lighting
  - b) Sundry expenses
  - c) Indirect material
  - d) Repairs to building

**PART - B**

**Answer any FIVE questions**

**(8 x 5 = 40 marks)**

11. Distinguish between 'Process Costing' and 'Job Costing'.
12. Write short notes on :
  - a) Stock control under ABC Analysis
  - b) Labor turnover – meaning and causes
13. From the following data, calculate (a) Re-order quantity (b) Re-order level (c) Maximum level (d) Minimum level (d) Average stock level.  
Delivery period 5 to 15 days  
Consumption rate 10 to 20 units per day  
Ordering cost per order Rs.20  
Annual requirement 5000 units  
Annual storage cost per unit Rs.5

**(P.T.O)**

14. A machine costing Rs.20,000 is expected to run for 10 years, at the end of which its estimated scrap value is Rs.2,000. Installation charges are Rs.1200. Repairs during the life of the machine is estimated at Rs.3650 and the machine is expected to run for 1825 hours per annum. The machine would consume 20 units of power per hour at Rs.5 per 100 hours. The machine occupies 1/4<sup>th</sup> of the area of the department and has 2 points out of a total of 12 for lighting. The foreman who is paid Rs.960 per month denotes 1/3<sup>rd</sup> of his time to this machine. The rent for the department is Rs.300 per month and the lighting charges are Rs.80 per month. Insurance premium for the machine is Rs.2400 per annum on the cost of the machine. **Calculate the machine hour rate.**
15. The following information relates to the cost accounts of a factory in respect of job number 707:  
 Direct material Rs.4010  
 Wages : Dept A 60 hrs at Rs.3 per hour  
           Dept B 40 hrs at Rs.2 per hour  
           Dept C 20 hrs at Rs.5 per hour  
 The variable overheads are as follows:  
           Dept A Rs.5000 for 5000 hours  
           Dept B Rs.3000 for 1500 hours  
           Dept C RS.2000 for 500 hours  
 The fixed expenses of the factory are estimated at Rs.20,000 for 10000 working hours.  
 Calculate the cost of job 707 and the price to be quoted to give a profit of 25% on the selling price.
16. Find out the labour cost per hour, if a worker is paid Rs.200 per month, in addition to a DA of Rs.50/- per month. He is entitled to bonus at 10% on wages. Employer's contribution to provident Fund is 8 1/3<sup>rd</sup> % of wages and towards ESI 1% of wages. The employer maintains a subsidized canteen, the monthly subsidy being Rs.1000. The number of employees who take advantage of this canteen is 200. Normal idle time amount to 20%. The average working days in a month are 25 of 8 hours each.
17. A company manufactures a main product X which yields two by-products A and B. During the period the following data was compiled.

	A (Rs.)	X (Rs.)	Y (Rs.)
Sales	8,00,000	64,000	96,000
Cost after separation	80,000	12,800	14,400
Estimated Net profit as a percentage on sales	-	20%	30%
Estimated selling expenses as a %age on sales	20%	10%	15%

The total cost before separation is Rs.3,10,400.

**Prepare an Income Statement showing the profit earned on the main product A.**

18. A transport company is running 2 buses between two towns which are 100 kms apart. The seating capacity of each bus is 50 passengers. The following particulars were obtained from their books for April 2009:
- |                                  |          |
|----------------------------------|----------|
| Wages of driver, conductors etc. | Rs.48000 |
| Office salaries                  | Rs.20000 |
| Diesel                           | Rs.40000 |
| Repairs                          | Rs.18000 |
| Road tax and insurance           | Rs.16000 |
| Depreciation                     | Rs.26000 |
| Garage rent                      | Rs.20000 |
- Actual passengers carried by 80% of the seating capacity  
 Both buses ran on all the days of the month. Each bus made one round trip per day. The driver and the conductor have to be paid 10% of takings as commission. If the company wants a profit of 15% on takings, calculate the fare to be charged per passenger km.

### **PART – C**

**Answer any TWO questions**

**(2 x20 = 40 marks)**

19. The financial records of X Ltd reveals the following:

Sales (20,000 units)	Rs.4,00,000
Material	Rs.1,60,000
Labor	Rs. 80,000
Factory overheads	Rs. 72,000
Office overheads	Rs. 41,600
Selling overheads	Rs. 28,800
Closing stock of finished goods (1230 units)	Rs.24,000
Closing work in progress	Rs.11,200
Goodwill written off	Rs.35,200
Interest received	Rs. 1,500

**(P.T.O)**

In the costing records, factory overheads are charged at 100% of wages, Office overheads at 10% of works cost and selling overheads at Rs.16 per unit sold.

Ascertain the profit as per financial books and the costing records.

**Also prepare a statement reconciling the two profits.**

20. A contractor started a contract on 1<sup>st</sup> April 2008 for a contract price of Rs.3,00,000. The following was expenditure on the contract, up to the year ending 31<sup>st</sup> March 2009:  
 Material issued Rs.51,000  
 Plant issued Rs.15,000  
 Wages incurred Rs.81,000  
 Other expenses Rs.5,000  
 Cash received on the contract upto 31<sup>st</sup> March 2009 was Rs.1,28,000 being 80% of the work certified. Of the plant and material issued to the contract, Plant costing Rs.3,000 and materials costing Rs.2,500 were lost. Material costing Rs.3000 was found unsuitable for the contract and was sold for Rs.2700  
 On 31<sup>st</sup> march 2009, plant which cost Rs.2,000 was returned to stores.  
 Materials worth Rs.2,300 were at site on that day.  
 The value of work done but not certified was Rs.1000  
 Depreciate plant at 15%.

**Prepare Contract a/c, Contractee's a/c and Balance Sheet.**

21. A product passes through three processes A, B and C. 20000 units costing 50 p per unit was issued to Process A. Other details relating to the processes were as follows:

	A	B	C
Material consumed (Rs.)	6000	4000	2000
Labour (Rs.)	8000	6000	3000
Manufacturing expenses (Rs.)	1000	1000	1500
Percentage of scrap on input	2%	5%	10%
Sale value of scrap per 100 units(Rs.)	5	5	20
Output in units	19500	18800	16000

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

