

Name :

Roll No. :

Invigilator's Signature :

CS/MBA(OLD)/SEM-3(FT & PT)/MB-302/2009-10

2009

COST ACCOUNTING

Time Allotted : 3 Hours

Full Marks : 70

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

GROUP – A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following :

10 × 1 = 10

- i) The term "cost" refers to
 - a) an asset that has given benefit and is now expired
 - b) the price of products sold or services rendered
 - c) the value of the sacrifice made to acquire goods or services
 - d) an asset that has not given benefit and is now expired.
- ii) The term "sunk costs" refers to
 - a) past costs that are now irrevocable
 - b) costs that are directly influenced by unit managers
 - c) costs that should be incurred in a particular production process
 - d) benefits lost from rejecting the next best alternative.



- iii) A written request to a supplier for specified goods at an agreed upon price is called a
- a) purchase order
 - b) purchase requisition
 - c) receiving report
 - d) materials requisition form.
- iv) Which of the following forms must be filled out when inventory is to be removed from the materials inventory to be placed into production ?
- a) Purchase order
 - b) Purchase requisition
 - c) Receiving report
 - d) Materials requisition form.
- v) The storekeeper should initiate a purchase requisition when stock reaches
- a) minimum level b) maximum level
 - c) re-order level d) average level.
- vi) Which of the following methods of costing can be used in a large oil refinery ?
- a) Process costing b) Operating costing
 - c) Unit costing d) Job costing.
- vii) Marginal cost consists of
- a) fixed cost
 - b) variable cost
 - c) both fixed and variable costs
 - d) none of these.



- viii) Contribution margin is
- a) sales — fixed cost
 - b) sales — Total cost
 - c) sales — variable cost
 - d) none of these.
- ix) Cost of service industry is computed by
- a) Job costing
 - b) Standard costing
 - c) Contract costing
 - d) Operating costing.
- x) Margin in safety is referred to as
- a) excess of actual sales over fixed expenses
 - b) excess of actual sales over variable expenses
 - c) excess of actual sales over break-even sales
 - d) excess of actual sales over actual profit.
- xi) Which of the following is a Direct Expense ?
- a) Lighting and Power
 - b) Royalty paid in mining
 - c) Insurance
 - d) Rent.
- xii) The break-even point would be increased by
- a) a decrease in fixed cost
 - b) an increase in contribution margin ratio
 - c) an increase in variable cost
 - d) a decrease in variable cost.



GROUP – B

(Short Answer Type Questions)

Answer any *three* of the following. $3 \times 5 = 15$

2. What are the various concepts of classification of cost ? Why is it necessary to classify cost ?
3. A worker takes 80 hours to do a job for which the time allowed is 100 hours. His daily rate is Rs. 6.00 per hour. Calculate the Works Cost of the job under the following methods of payment of wages :
 - i) Time rate
 - ii) Piece rate
 - iii) Halsey plan
 - iv) Rowan plan.

Additional information :

 - a) Materials cost Rs. 800
 - b) Factory overhead 125% of wages.
4. A worker takes 80 hours to do a job for which the time allowed is 100 hours. His daily rate is Rs. 2.50 per hour. Calculate the wages payable under the different methods of payment of wages :
 - i) Time rate
 - ii) Piece rate
 - iii) Halsey plan
 - iv) Rowan plan.



5. A lorry starts with a load of 20 tons of goods from Station A. It unloads 8 tons at Station B and the rest of goods at Station C. It reaches back directly to Station A after getting reloaded with 16 tons of goods at Station C. The distance between A to B, B to C and then from C to A are 80 km, 120 km and 160 km, respectively.
- Compute absolute ton-kilometres and commercial ton-kilometres.
6. Define Idle Time. What are the causes of Idle Time ?

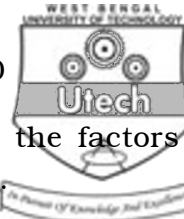
GROUP – C

(Long Answer Type Questions)

Answer any *three* of the following. $3 \times 15 = 45$

7. a) Describe the limitations of accounting ratio.
 b) Balance Sheet is to be prepared from the following data relating to a firm. Prepare Balance Sheet of the firm as at 31. 12. 2009.

Annual Sales	Rs. 36,00,000
Sales to Net Worth	4 times
Current Liabilities to Net Worth	50%
Total Debt to Net Worth	80%
Current ratio	3
Sales to Inventory	6 times
Average Collection Period	73 days
Fixed Assets to net worth	30%
	5 + 10



8. a) What is working capital cycle ? State the factors on which the duration of the cycle depends.
- b) How is working capital determined for managing a business concern ? (3 + 6) + 6
9. a) What are the challenges faced by the Manager (Stores) of a large manufacturing concern in ordering various raw materials from the suppliers ?
- b) In a manufacturing concern a material is used as follows :
- | | |
|------------------------------|--------------------------------------|
| Maximum consumption | 12,000 units per week |
| Minimum consumption | 4,000 units per week |
| Normal consumption | 8,000 units per week |
| Re-order quantity | 48,000 units |
| Time required for delivery — | Minimum 4 weeks,
Maximum 6 weeks. |
- Calculate :
- i) Re-order level
 - ii) Minimum Level
 - iii) Maximum level
 - iv) Danger level
 - v) Average Stock level. 5 + 10

10. Sharp Electronics Ltd. furnishes the following information for 10,000 TV valves manufactured during the year 2009.

	Rs.		Rs.
Materials	90,000	Clerical salaries and management expenses	33,500
Direct wages	60,000	Selling expenses	5,500
Power and consumable stores	12,000	Sale proceeds of scraps	2,000
Factory indirect wages	15,000	Plant repairs, maintenance and depreciation	11,500
Lighting of factory	5,500		
Defective work (cost of rectification)	3,000		



The net selling price was Rs. 31.60 per unit and all the units were sold.

As from 1st January, 2010, the selling price was reduced to Rs. 31.00 per unit. It was estimated that production could be increased in 2006 by 50% utilizing spare capacity. Rates for materials and direct wages will increase by 10%.

You are required to prepare

- a) cost sheet for the year, 2009, showing various elements of cost per unit and
- b) estimated cost and profit for 2006 assuming that 15,000 units will be produced and sold during the year. Factory overheads are recovered as a percentage of direct wages and office and selling expenses as a percentage of works cost. (Apply the same respective percentages as in the previous year.)

11. Write short notes on any *three* of the following : $3 \times 5 = 15$

- a) Batch costing
- b) Activity based costing
- c) Uniform costing
- d) Cost Audit
- e) Machine hour rate
- f) Abnormal loss.



12. The Standard Metal Co. Ltd. manufactures a single product the standard mix of which is

Material X 60% at Rs. 20 per kg

Material Y 40% at Rs. 10 per kg

Normal loss in production is 20% of input. Due to shortage of material X, the standard mix was changed. Actual results for June were :

		Rs.
Material X	210 kg at Rs. 20	4,200
Material Y	190 kg at Rs. 9	1,710
Input	400 kg.	5,910
Loss	70 kg.	—
Output	330 kg	5,910

Calculate Material Price, Mix and Yield Variances.

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