Reg. No. : ....

Code No. : 12678 **Sub. Code : GMBA 41**

B.B.A. (CBCS) DEGREE EXAMINATION, APRIL 2016.

Fourth Semester

Business Administration — Main

COST ACCOUNTING

(For those who joined in July 2012 and afterwards)

Time : Three hours Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL questions. Each question carries 1 mark.

Choose correct answer:

1. ———— costs are partly fixed and partly variable in relation to output.

   (a) Variable (b) Semi-variable

   (c) Fixed (d) None of the above

2. Fixed cost per unit ———— with increase in output.

   (a) Increases (b) Decreases

   (c) Constant (d) None of the above

	Rs.		Rs.
Sales	20,000	Bad debts	100
Purchase of materials	3,000	Interest on overdraft	50
Closing stock of materials	500	Profit on sale of assets	1,000
Direct wages	1,000	Selling expenses	2,000
Indirect wages	500	Distribution expenses	1,00
Indirect expenses	2,000		

In Cost Accounts:

Manufacturing overhead recovered @300% on direct wages.

Selling overhead recovered Rs. 1,500.

Distribution overhead recovered Rs. 700.

————————

3. The stores ledger is maintained in the ———— department.

(a) Finance (b) Costing

(c) Production (d) None of the above

4. Average cost method of valuing material issues is suitable in times of ———— prices.

(a) Falling (b) Rising

(c) Fluctuating (d) None of the above

5. It denotes the percentage change in the labour force of an organisation.

(a) Sales turn over (b) Labour turn over

(c) Strike (d) None of the above

6. ———— wage system is most suitable when quality of work is of prime importance.

(a) Piece (b) Time

(c) Straight piece (d) None of the above

7. A cost is termed as ———— cost if the total of the same does not change with changes in the activity level.

(a) Fixed (b) Semi-variable

(c) Variable (d) None of the above

8. Machine hour rate is the cost of running a machine per ————

(a) Day (b) Month

(c) Week (d) None of the above

9. Under absorption of production overheads is ———— while reconciling costing profit with financial profits.

(a) Deducted (b) Added

(c) Not used (d) None of the above

10. In contract costing payment of cash to the contractor is made on the basis of work.

(a) Completed (b) Uncertified

(c) Certified (d) None of the above

SECTION B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b) in 250 words.

11. (a) Write down the scope of the cost accountancy.

Or

(b) What are the characteristics of ideal costing system?

12. (a) What are all the essentials of material control?

Or

(b) Calculate maximum level, minimum level and re-order level from the following:

Re-order quantity	1,500 units
Re-order period	10-15 days
Normal re-order period	12 days
Maximum consumption	150 units per day
Normal consumption	120 units per day
Minimum consumption	100 units per day

13. (a) List out the important activities of the pay-roll department in controlling the labour cost.

Or

(b) Calculate the earnings of workers X and Y under (i) Straight Piece Rate System and (ii) Taylor's Differential Piece Rate System from the following particulars:

Standard production = 10 units per hour

Normal time rate = Rs.5 per hour

Differentials to be applied:

80% of piece rate below standard

120% of piece rate at or above standard

Worker X produced 80 units per day of 10 hours and Y produced 110 units per day of 10 hours.

14. (a) Describe the classification of overhead with regard to behavior of expenditure.

Or

(b) The monthly budget of a department is as under:

Direct materials	Rs. 45,000
Direct labour	Rs. 60,000
Overheads	Rs. 90,000
Direct Labour hour	15,000
Machine hour	30,000

Find out the overhead recovery rate based on the following methods of absorption of overheads:

(i) Direct labour hour method, (ii) Direct labour cost method; (iii) Machine hour method; (iv) Direct material cost method.

15. (a) What are the features of job order costing?

Or

(b) In a factory 20,000 units of the product A were manufactured in the month of June. From the following figures obtained from the costing records, prepare a cost sheet showing the cost per unit and the profit per unit.

	Rs.
Opening stock of materials	10,000
Closing stock	20,000
Purchases	1,10,000
Direct wages	50,000
Factory overhead	80,000
Office overhead	40,000

Units sold: 19,000 at Rs. 16 per unit.

SECTION C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b) in 600 words.

16. (a) Discuss various objections to cost accounting.

Or

(b) Explain the different ways of classification of costs.

17. (a) Explain the broad objectives of material control.

Or

(b) From the following transactions, prepare separately the Stores Ledger Accounts, using the following pricing methods.

(i) the FIFO and (ii) the LIFO

Jan. 1	Opening balance 100 units Rs. 5 each
Jan. 5	Received 500 units @ Rs.6 each
Jan. 20	Issued 300 units
Feb. 5	Issued 200 units
Feb. 6	Received 600 units @ Rs.5 each
March 10	Issued 300 units
March 12	Issued 250 units.

18. (a) What do you mean by labour turnover? What are the causes and effects of labour turnover?

Or

(b) Production sections of a factory working on a job order system pay their workers under the Rowan Premium Bonus Scheme. Workers are also entitled to a dearness allowance of Rs.20 per week of 48 hours, worker's basic wage is Re. 1 per day of 8 hours and his time sheet for a week is summarized below:

Job No.	Time allowed	Time taken
1001	25 hours	20 hours
1002	30 hours	24 hours
Idle time (waiting)	---	4 hours

Find the worker's earnings and the amounts to be charged to each job and to overhead.

19. (a) Explain the methods of re-apportionment of costs of service departments to production departments.

Or

(b) Calculate the machine hour rate from the following:

Cost of machine	Rs.8,000
Cost of installation	Rs.2,000
Scrap value after 10 years	Rs.2,000
Rates and rent for a quarter for the shop	Rs.300
General lighting	Rs.20 p.m.
Shop supervisor's salary	Rs.600 per quarter

Insurance premium for a machine	Rs.60 p.a.
Estimated repair	Rs.100 p.a.
Power 2 units per hour	Rs.50 per 100 units
Estimated working hours	2,000 p.a.

The machine occupies $1/4^{th}$ of the total area of the shop. The supervisor is expected to devote $1/6^{th}$ of his time for supervising the machine. General lighting expenses are to be apportioned on the basis of floor area.

20. (a) State the reasons for the difference between the profits shown in the cost accounts and those shown in the financial accounts of an industrial organization.

Or

(b) From the following details of Small Tools Ltd. compute profit in financial accounts as well as in cost accounts and reconcile profit between cost and financial accounts showing clearly the reasons for the variation of the two figures: