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BBMBMC 312

**Credit Based Fifth Semester B.B.M. Degree Examination,
October/November 2016
(2012 Scheme)
COST ACCOUNTING**

Time : 3 Hours

Max. Marks : 120

Instruction : Support your answer with working notes *wherever* necessary.

SECTION – A

(Two marks each)

Answer **any ten** questions in **two** or **three** sentences **each** : **(2×10=20)**

1. a) Define costing.
- b) What do you mean by variable cost ?
- c) What is meant by ABC analysis ?
- d) What is purchase requisition ?
- e) Where do you record the carriage outward while preparing the cost sheet ?
- f) What is a bin card ?
- g) What is time booking ?
- h) What is meant by leadtime ?
- i) What is meant by overtime ?
- j) If profit is 25% of sales and sales is Rs. 4,00,000, what is cost of sales ?
- k) What do you mean by overhead ?
- l) Define economic order quantity.

P.T.O.



SECTION – B
(Eight marks each)

Answer **any five** questions :

(8×5=40)

2. Explain the advantages of cost accounting to management.
3. A lorry load of material of mixed grades was purchased for Rs. 9,000.

These were sorted into the following grades, whose market rate is shown below :

Grade	Units	Selling Price/Unit Rs.
A	5000	1.20
B	3000	1.00
C	2000	0.50

Find out the purchase rate per unit of each grade of material assuming that all grades yield the same rate of profit.

4. From the following data calculate :

- The reorder level
- The minimum stock level
- The maximum stock level
- The average stock level.

Minimum consumption : 100 units per day

Maximum consumption : 150 units per day

Normal consumption : 120 units per day

Reorder period : 10 to 15 days

Reorder quantity : 1500 units

Normal reorder period : 12 days

5. Explain the important features of a fair method of wage payment.
6. From the following information calculate the earnings of A, B, C and D under Taylor's Differential Piece Rate System.

The working hours in a week consisted of 48 hours.

Standard output : 2 units per hour

Time rate : Rs. 30 per hour

Actual output : A – 90 units,

B – 95 units, C – 96 units, D – 103 units.

7. The following information regarding coal is obtained from the stores record of Mohan Steels Ltd. :

October 2015

1	Opening balance	1000 tons
4	Issued on MR No. 75	320 tons
5	Received from vendor GR No. 17	480 tons
8	Issued on MR No. 76	360 tons
12	Issued on MR No. 77	120 tons
17	Received from vendor GR No. 18	400 tons
24	Issued on MR No. 78	300 tons
30	Received from vendor GR No. 19	500 tons
31	Issued on MR No. 79	340 tons

The minimum stock level 400 tons. The ordering level is 600 tons. Prepare a Bin Card No. 40 for the above transactions.

8. Compute the machine hour rate for a machine from the following particulars.

	Per Annum
	Rs.
Rent of the department (space occupied by machine $\frac{1}{4}$)	6,000
Lighting (no of men in dept. 15. Three engaged on this machine)	2,500
Insurance	600
Cotton Waste, Oil etc.	400
Salaries of foreman (Time devoted $\frac{1}{3}$)	35,850
Power charges for the machine	24,725

The machine was purchased for Rs. 50,000 and estimated scrap value was Rs. 4,000. Estimated working life was 10 years. Its estimated repairs throughout working life Rs. 17,250. It consumes 5 units of power per hour at a cost of Rs. 2.15 per unit.



SECTION – C
(Twenty marks each)

Answer any three of the following :

(20×3=60)

9. The following details are extracted from the books of Sheela Springs Ltd., Bangalore for the year ending 31-12-2015 :

	Rs.	
Purchase of materials	7,20,000	
Wages	6,00,000	
Lubricants	36,000	
Carriage inwards	8,640	
Wages of storekeeper	6,000	
Wages of foreman	48,000	
Cost of research	30,000	
Office manager's salary	72,000	
E.S.I.	6,000	
Power and fuel	54,000	
Drawing office expenses	36,000	
Printing, Stationary	12,000	
Counting house salary	12,000	
Sales	18,10,000	
Income tax	22,000	
Donations	5,000	
Sales returns	10,000	
Stock :		
	on 1-1-2015	on 31-12-2015
Raw materials	Rs. 1,20,000	Rs. 1,33,440
Work in progress	Rs. 28,800	Rs. 96,000
Finished products (Units)	6,000	12,000

Selling and distribution expenses are to be charged at Re. 1 per unit.

During the year 2015 the number units produced is 96,000. Prepare a cost sheet showing different elements of cost and profit.



10. Following receipts and issued of material 'N' were made during the month of December. Stock of 'N' on 1st December was 400 units at Rs. 10 per unit.

- Dec. 2 Purchased 100 units @ Rs. 11 per unit.
- 6 Issued 400 units.
- 10 Received 600 units @ Rs. 15 per unit
- 13 Issued 500 units.
- 15 Received 500 units @ Rs. 16 per unit.
- 18 Issued 600 units.
- 21 Purchased 800 units @ Rs. 20 per unit.
- 24 Issued 500 units
- 26 Issued 200 units
- 28 Purchased 500 units @ Rs. 25 per unit
- 30 Issued 400 units.
- 31 Purchased 300 units at Rs. 30 per unit.

Prepare the stores ledger under LIFO method.

11. a) Calculate the total net earnings of workers Rahul and Rakshith for the month from the following particulars given and also calculate :

- 1) Normal labour cost per hour.
- 2) Normal time rate and overtime rate

Particulars	Workers	
	Rahul	Rakshith
Basic wage	Rs. 2,000	Rs. 2,000
D. A.	50%	55%
P.F. on basic wage	8%	8%
ESI on basic wage	2%	2%
Overtime	10 hours	—
Idletime	—	16 hours

The normal working hours for the month is 200 hours. Overtime is paid at double the normal wage plus D.A. Employer's contribution to ESI and PF are at equal rate with the employee's contributions. The month contains 25 working days.



- b) A worker takes 9 hours to complete a job on daily wages and 6 hours on a scheme of payment by results.

His day rate is Rs. 20 per hour. The material cost of the production is Rs. 400 and overheads are recovered at 150% of total direct wages.

Calculate the factory cost of the product under :

- 1) Rowan plan
- 2) Halsey plan.

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12. Balak Enterprises collects overhead expenses under three production departments P₁, P₂ and P₃ and two service departments C (Canteen) and S (Stores). Following expenses are extracted from accounts.

	Rs.
Rent and rates	5,000
Power	1,500
Welfare expenses	2,200
Other expenses	4,400
General lighting	900
Indirect wages	2,000
Depreciation of machine	8,000

The following details are also available :

	P ₁	P ₂	P ₃	C	S
Floor space (Sq. mts)	200	300	250	200	50
Light points	20	30	20	20	10
Direct Wages (Rs.)	60,000	40,000	60,000	30,000	10,000
Horse power of machine	100	60	80	5	5
Cost of machine	24,000	32,000	40,000	2,000	2,000
No. of employees	25	30	35	12	8
Labour hours	1,800	2,000	2,600	-	-



Apportion the above cost to the various departments by the most equitable methods.

The expenses of the service departments are charged out on a percentage basis as follows :

	Production Departments			Service Departments	
	P ₁	P ₂	P ₃	C	S
C Dept.	20%	30%	40%	—	10%
S Dept.	40%	20%	20%	20%	—

Using the above particulars apportion the service department expenses to various production departments by adopting "repeated distribution method" and calculate absorption rate of each production department.
