

Roll No.

BBA-504(N)

B. B. A. (Fifth Semester) EXAMINATION, Dec., 2017

(New Course)

Paper Fourth

COST AND MANAGEMENT ACCOUNTING

Time : Three Hours]

[Maximum Marks : 70

Note : Attempt questions from all Sections as directed.

Inst. : The candidates are required to answer only in serial order. If there are many parts of a question, answer them in continuation.

Section—A

(Short Answer Type Questions)

Note : Attempt all questions. Each question carries 3 marks.

1. (A) Distinguish between Direct Material and Indirect Material.
- (B) Give a classification of costs.
- (C) How are wages payable to a worker calculated under Taylor's Differential Piece Rate System ?

- (D) What shall be the variable cost ratio when P/V ratio is 40% and percentage of project with sales if Margin of Safety ratio is given 30% ?
- (E) When production is 9000 units total costs are ₹ 2,52,000 but when production becomes 12000 units, total costs are ₹ 3,06,000. Calculate total variable costs and fixed costs at these two levels of production.
- (F) In a company monthly consumption of material is 6250 units, cost of placing and receiving an order is ₹ 18, price per unit of material is ₹ 1.50 and storage and carrying cost is 20% of average inventory investment on annual basis. Calculate the most economical order quantity. What shall be the most economical order quantity if material costs ₹ 4.50 per unit interest of ₹ 1.50 per unit ?
- (G) What do you mean by absorption of factory overheads ? Give the names of *four* methods of absorption of overheads.
- (H) How are Break-Even Point in units and Break-even point in ₹ calculated ? Explain, what do you mean by break-even point.
- (I) Distinguish between the following :
- Gross Works cost and Works cost
 - Cost of Goods sold and Cost of sales
- (J) Define cost unit, cost centre, operating costing and contract costing.

A work order has been received in April, 2017 and following expenses have been incurred :

	₹
Materials	24,000
Wages for labour	15,000

Assuming that in 2017-18 the rate of factory overheads has gone up by 20%, distributes charges have gone down by 10% and selling and office and administration charges have each gone up by $12\frac{1}{2}\%$.

At what price should the product be sold so as to earn the same rate of profit on the selling price as in 2016-17 ?

Factory overhead is based on direct labour and office and administration and selling and distribution overheads are based on factory cost.

8. You are given the following information relating to a manufacturing company for the year ended 31st March, 2017 :

Sales 100000 units @ ₹ 100 per unit, variable cost @ ₹ 60 per unit. Total cost ₹ 90,00,000. Calculate the following :

- Total contribution and contribution per unit.
 - Profit-volume ratio.
 - Break-even point in units and also in ₹.
 - Margin of safety in units and also in ₹.
 - Sales volume in units and also in ₹ earning a project of ₹ 14,00,000.
 - Profit when sales are 120000 units and ₹ 1,30,00,000.
9. In respect of M/s Standard Niwar Mills Limited Kanpur the following figures have been obtained for the year ended 31st March, 2017 :

	₹
Cost of materials	18,00,000
Wages for labour	15,00,000
Factory overheads	9,00,000
Office and administration charges	10,08,000
Selling charges	6,72,000
Distribution charges	4,20,000
Profits	12,60,000

Section—B

(Long Answer Type Questions)

Note : Attempt any *two* questions. Each question carries 10 marks.

- "Cost Accounting is an indispensable tool of modern management." Discuss this statement and bring out the nature and scope of cost accounting.
- Explain time rate system and piece rate system of wages payment giving their merits and demerits.

Or

The following are the particulars given to you :

Standard time : 100 hours

Time rate : ₹ 20 per hour

Prepare a comparative table under Halsey-Premium Plan and Rowan Premium Plan if the actual time taken to complete the job is 90 hours, 80 hours, 60 hours, 40 hours, 30 hours and 50 hours showing clearly the amounts of premium bonus, total earning of the worker and effective rate of earning per hour under both the methods of incentive wage system.

What inferences do you draw from the table ?

4. Two materials X and Y are used as follows :

	X	Y
Normal usage per week	150 units	200 units
Re-order quantity	900 units	1500 units
Maximum usage per week	225 units	250 units
Minimum usage per week	75 units	100 units
Re-order period in weeks	12 to 18	6 to 12

Calculate the following each material :

- (i) Minimum Stock Level
- (ii) Maximum Stock Level
- (iii) Ordering Level

Or

Explain FIFO, LIFO and Weighted Average Price methods of pricing issue of materials of production giving their merits and demerits.

5. A company has three production departments A, B and C and two service departments X and Y. The factory expenses incurred by these departments during the month of November, 2017 are given below :

	₹
Department A	80,000
Department B	70,000
Department C	50,000
Department X	23,400
Department Y	30,000

The expenses of service departments are apportioned to production departments on the following basis :

	Departments				
	A	B	C	X	Y
Department X	20%	40%	30%	—	10%
Department Y	40%	20%	20%	20%	—

Prepare a statement showing re-apportionment of expenses of service departments X and Y to production departments A, B and C.

Also calculate the machine hour rates for production departments A, B and C if machine hours in each producties department are as under :

	Machine hour
Department A	4000
Department B	5000
Department C	8000

What shall be the selling price of a product on which an expenditure on direct materials ₹ 8,000, direct wages ₹ 5,000 and direct expenses ₹ 2,000 has already been incurred and on which machine hours required in production departments A, B and C are 120 hours, 150 hours and 240 hours respectively and on which office and administration overheads are charged @ 60% on direct wages, selling and distribution. Overheads @ 15% and sales and projects is charged @ 10% on sales.

Section—C

(Long Answer Type Questions)

Note : Attempt any two questions. Each question carries 10 marks.

6. "Management Accounting information assists in cost control and cost reduction." Elucidate this statement and distinguish between Cost Accounting and Management Accounting.
7. What is the difference between marginal costing and absorption costing techniques of costing ? Give pro forma of statement of cost and project under marginal costing method.