

Roll No.

BBA-504(N)

**B. B. A. (Fifth Semester)
EXAMINATION, Nov./Dec., 2018**

(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.

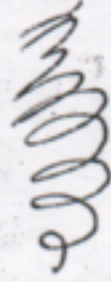
Section—A

(Short Answer Type Questions)

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

1. (A) Give the classification of costs.
- (B) Discuss the Accounting treatment of normal wastage of material and abnormal wastage of material.
- (C) Distinguish between Absorption Costing and Marginal Costing techniques of costing.

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- (I) Give pro forma of a Cost Sheet.
- (J) What are the factors taken into considerations at the time of installation of Cost Accounting System in a manufacturing organisation ?

Section—B

(Long Answer Type Questions)

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

2. Distinguish between Financial Accounting and Cost Accounting. What are the advantages of Cost Accounting System ?
3. Following information is available for a factory for the year 2017 :

	₹
Direct material.	3,00,000
Direct wages	2,50,000
Factory overheads	1,50,000
Administrative overheads	1,68,000
Selling overheads	1,12,000
Distribution overheads	70,000
Profit	2,10,000

A work order has been executed in the year 2018 and the expenses incurred were—Materials ₹ 4,000 and Wages ₹ 2,500.

Assuming that in the year 2018 the rate of factory overheads has increased by 20%, distribution overheads have gone down by 10% and selling and

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administration overheads have each gone up by 12.5%, at what price should the product be sold so as to earn the same rate of profit on the selling prices as in the year 2017 ? Factory overheads are based on direct wages while order overheads are based on factory cost.

4. What do you mean by Ordering Level, Maximum Stock Level, Minimum Stock Level, Average Stock Level, Danger Level and Economic Order Quantity ? How are these determined ? What are the factors to be taken into consideration while determining stock levels ?

Or

What are the methods of wages payment ? Discuss giving their merits and demerits.

5. The Pen Manufacturing Company are producing two types of Pens—'Deluxe' and 'Popular', the manufacturing costs for the year ended 31st March, 1990 were :

	₹
Direct Materials	2,00,000
Direct Wages	1,12,000
Production Overhead	48,000
	3,60,000

It is ascertained that :

- (i) Direct Materials in 'Deluxe' type cost twice as much as that of 'Popular' type.
- (ii) Direct wages 'Popular' type were 60 per cent of those 'Deluxe' type.
- (iii) Production overhead was 30 paise per pen for both types.
- (iv) Administration overhead for each types was 200 per cent of direct labour.

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The rate of production per hour is 10 units. Direct material cost per unit is ₹ 1 and direct wages per hour is ₹ 4.

You may assume that selling price per unit is ₹ 5.

You are required to prepare Statement of Cost and Profit under Marginal Costing Method and Absorption Costing Method at capacity levels of 100%, 80% and 60%.

Or

Define Marginal Costing. What are the advantages and limitations, if any, of Marginal Costing System ?

8. Two manufacturing companies which have the following operating details decided to merge :

	Company-I	Company-II
Capacity utilization (%)	90	60
Sales (₹ in lakhs)	540	300
Variable cost (₹ in lakhs)	396	225
Fixed cost (₹ in lakhs)	80	50

Assuming that the proposal is implemented, calculate :

- Break-even sales of merged plant and capacity utilization at the stage.
- Profitability of the merged plant at 80% capacity utilization.
- Sales turnover of the merged plant to earn a profit ₹ 75 lakh.
- When the merged plant is working at a capacity to earn a profit of ₹ 75 lakh, what percentage increase in selling price is required to sustain an increase of 5% in fixed overheads ?

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9. A company has a project to install a new machine exclusively for the manufacture of a new product which is expected to have good demand and reasonably high margin. Maximum possible annual sales may not exceed ₹ 50 lakh and if there is competition it may fall considerably. The company has obtained quotations and short listed two offers for the new machine. Details in respect of the two models are given below :

	M1 (₹)	M2 (₹)
Maximum possible sales per year	50 lakhs	50 lakhs
Fixed cost per year	5 lakhs	8 lakhs
Estimated profit for maximum sales	15 lakhs	17 lakhs

Your are required to calculate :

- Break even sales of each machine.
- Sales at which both models will give the same profit.
- Range of sales over which one model is better than the other.

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