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**B.B.A./B.B.M. DEGREE (C.B.C.S.S.) EXAMINATION, APRIL 2018**

**Fourth Semester**

Common Core Course—COST ACCOUNTING

(Common for B.B.A. and B.B.M.)

[2013 Admission onwards]

Time : Three Hours

Maximum Marks : 80

**Part A (Short Answer Questions)**

*Answer all questions.  
Each question carries 1 mark.*

- ✓ 1. Define Cost Accounting.
2. What is Marginal Cost ?
3. What do you mean by EOQ ?
- ✓ 4. What is indirect labour ?
5. What is Activity Based Costing ?
6. Define Standard Cost.
7. What is meant by variance ?
8. What is margin of safety ?
9. What is break-even point ?
10. Define a cost centre.

(10 × 1 = 10)

**Part B (Brief Answer Questions)**

*Answer any eight questions.  
Each question carries 2 marks.*

11. Explain the following :—
  - (a) Fixed Cost.
  - (b) Variable Cost.
12. What are the limitations of Cost Accounting ?
13. Describe cost control and Cost reduction.
14. What is ABC analysis ?
15. What do you mean by perpetual inventory system ?
16. Write a note on 'Labour Turnover'.

**Turn over**



17. What is idle time ? Give some examples. Mention any *three* causes of idle time.
18. Differentiate allocation of overhead from apportionment of overhead.
19. Distinguish between standard costing and historical costing.
20. Explain Labour Cost Variance.
21. What is Cost Volume Profit Analysis ?
22. What is Break-Even Chart ? Mention its assumptions.

(8 × 2 = 16)

### Part C (Brief Answer Questions)

*Answer any six questions.*

*Each question carries 4 marks.*

23. Differentiate between Cost Accounting and Financial Accounting ?
24. What do you mean by time booking ? Explain the different methods of time booking.
25. What is profit reconciliation statement ? Why it is prepared ?
26. Product X requires 20 kgs. of material at Rs. 4 per kg. The actual consumption of material for the manufacturing of product X came to 24 kgs. of material at Rs. 4.50 per kg. Calculate material variances.
27. From the following data for the last 12 months compute stock levels for component A :

Maximum usage in a month — 300 units.

Minimum usage in a month — 200 units.

Average usage in a month — 225 units.

Time lag for procurement of material :

Maximum 6 months, Minimum 2 months, economic ordering quantity 750 units.

28. The following transactions took place in respect of a material during March 2014 :

| <i>Date</i> | <i>Particulars</i>   | <i>Units</i> | <i>Rate per unit (Rs.)</i> |
|-------------|----------------------|--------------|----------------------------|
| March 1     | ... Balance in store | 600          | 4                          |
| March 6     | ... Received         | 400          | 5                          |
| March 8     | ... Issued           | 300          | —                          |
| March 25    | ... Received         | 200          | 6                          |
| March 30    | ... Issued           | 250          | —                          |

Prepare Stores Ledger under Weighted Average Price Method.



29. Find out the break-even point from the following information :
- Fixed cost Rs. 20,000 ; Variable cost Rs. 2 per unit ; Selling price Rs. 4 per unit.
  - Sales Rs. 6,000 ; Variable Cost Rs. 3,600 ; Fixed Cost Rs. 2,000.
  - Sales Rs. 4,000 ; Variable cost Rs. 2,400 ; Profit Rs. 400.
30. Using the following data, calculate the wage payable to a worker under Halsey and Rowan plans.  
Time Allowed - 50 Hours ; Time Taken - 40 Hours ; Rate per Hour - Rs. 5.
31. The overhead expenses of a factory are allocated on the machine hour rate method. You are required to calculate the hourly rate for a certain machine from the following information :

|   |     |              |
|---|-----|--------------|
| Cost  | ... | Rs. 58,000   |
| Estimated scrap value   | ... | Rs. 3,000    |
| Estimated working life  | ... | 20,000 hours |
| Estimated cost of<br>maintenance during working<br>life of machine  | ... | Rs. 12,000   |
| Power used for machine Re. 1 per hour                               |     |              |
| Rent, Rates etc. per month (10 % to<br>be charged for this machine) | ... | Rs. 1,500    |
| Normal machine running hours<br>during a month                      | ... | 180 Hours    |
| Standing charges other than rent<br>etc. per month                  | ... | Rs. 200      |

(6 × 4 = 24)

### Part D (Long Essays)

Answer any **two** questions.  
Each question carries 15 marks.

32. Explain the concept of 'Marginal Costing'. Discuss the advantages and limitations of marginal costing.
33. Discuss the nature, scope and objectives of Cost Accounting.
34. A Factory turns out two products, A and B. The cost of materials and labour is as follows :

|                       | A     | B    |
|-----------------------|-------|------|
|                       | Rs.   | Rs.  |
| Materials per unit    | 12.50 | 7.50 |
| Direct wages per unit | 10.00 | 6.00 |

Turn over



Works on cost is charged at 100 % of wages and office on cost at 25 % of works cost. 200 units of A and 500 units of B were produced and sold at Rs. 50 and Rs. 30 per unit respectively.

If actually, the works expenses amounted to Rs. 4,800 and office expenses to Rs. 4,200, reconcile the results shown by Cost Accounts and Financial Accounts.

35. The following figures have been obtained from a factory for the year 2016 :

|                        | Rs.      |
|------------------------|----------|
| Cost of Material       | 6,00,000 |
| Wages for labour       | 5,00,000 |
| Factory overhead       | 3,00,000 |
| Administration Charges | 3,36,000 |
| Selling Charges        | 2,24,000 |
| Distribution charges   | 1,40,000 |
| Profit                 | 4,20,000 |

What price should the factory quote for a work order which needs :

Material Rs. 80,000, Wages for labour Rs. 50,000 Assuming that in 2017 the ratio of Factory Overheads have gone up by 20 %. Distribution Charges have gone down by 10 % and selling and administration charges have each gone up by 12.5 %. Show the price of the work order, so as to earn the same rate of profit on the selling price as in 2016.

Factory Overheads are based on Direct Labour and Administration, Selling and Distribution overheads on Factory Cost.

(2 × 15 = 30)