

BBA 3<sup>rd</sup> sem  
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2010

**COST AND MANAGEMENT ACCOUNTING**

**Paper : 3-3**

*Full Marks : 80*

*Time : Three hours*

*The figures in the margin indicate full marks  
for the questions.*

1. Fill in the blanks : 1×5=5
- (a) Management Accounting concentrates on \_\_\_\_\_ . (preparation of financial statements / control of business)
- (b) Administration overheads are recovered as a percentage of \_\_\_\_\_ (Direct wages / Works Cost)
- (c) For shoe manufacturers, the most suitable cost system is \_\_\_\_\_ . (Batch costing / Contract costing)

*Contd.*

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- (d) Break-even chart is the graphical relationship between \_\_\_\_\_ (cost, volume and profit / fixed cost and variable cost)
- (e) The purpose of standard costing is to \_\_\_\_\_ (control cost / allocate cost with more accuracy).

2. State whether the following statements are true or false :  $1 \times 5 = 5$

- (a) A budget designed to remain unchanged irrespective of the level of activity actually attained is called Master Budget.
- (b) The rate of change of labour force in an organisation during a specified period is called labour turnover.
- (c) Normal loss does not increase the cost per unit of usual production.
- (d) Process costing is ordinarily applied where all the operations are performed in one department.
- (e) The price for executing a contract is known as contract price.

3. Answer the following : (any five)  $2 \times 5 = 10$

(a) State two points of distinction between Cost Accounting and Financial Accounting.

(b) Define fixed cost.

(c) If the minimum stock level and average stock level of raw material A are 20,000 and 40,000 units respectively, find out its re-order quantity.

(d) An input of 5000 units of material introduced into the process and the expected loss is 8% and if the actual output from the process is 4300 units, find the quantity of abnormal loss.

(e) What is P/V ratio ?

(f) Define budgetary control.

4. Answer the following : (any four)  $5 \times 4 = 20$

(a) Enlist five important functions of Management Accounting.

(b) Compute machine hour rate from the following data :

Cost of the machine	Rs. 1,44,000
Installation charges	Rs. 6,000
Estimated scrap value at the end	Rs. 6,000
Effective working life of the machine	12,000 hrs.
Effective working hours in a year	1,440 hrs.
Estimated repairs over the effective working life of the machine	Rs. 12,000
Standing charges allocated to the machine per year	Rs. 5,760
Power consumed by the machine is 20 units per hour at a cost of 25 paise per unit.	

(c) The information given below has been taken from the cost records of a factory in respect of Job No. 505 :

Direct material	Rs. 2,400
Wages details :	
Department — A : 60 hours @ Rs. 3 per hour	
B : 40 hours @ Rs. 2 per hour	

The variable overheads are as follows :  
 Department — A : Rs. 5,000 for 5,000 hours  
 B : Rs. 3,000 for 1,500 hours  
 Fixed expenses estimated at Rs. 16,000 for 8,000 working hours.  
 Calculate the cost of Job No. 505.

(d) The information given below has been taken from the records of a factory :

	Standard	Actual
Number of men employed	100	90
Output in units	5,000	4,800
Number of working days in a month	20	18
Average wages per man per month	Rs. 200	Rs. 198

Calculate : (i) Labour Cost Variance  
 (ii) Labour Rate of Pay Variance.

(e) The following data are obtained from the records of a firm :

Fixed cost Rs. 4,000  
 Break-even-point Rs. 10,000

Calculate : (i) P/V ratio  
 (ii) Profit when sales are Rs. 20,000

(f) What is contract costing? Give the main distinguishing features of contract costing.

(g) Write a brief note on sales budget.

5. Answer the following : (any five)  $8 \times 5 = 40$

(a) M/s. S Ltd. are the manufacturers of torches. The following data relate to manufacture of torches during the month of March, 2009 :

Raw materials consumed Rs. 20,000

Direct wages Rs. 12,000

Machine hour worked 9,500 hours

Machine hour rate Rs. 2

Office Overheads 20% of works cost

Selling Overheads Rs. 0.50 per unit

Units produced 20,000

Units sold 18,000 @ Rs. 5 per unit

Prepare cost sheet.

(b) A company manufactures 5,000 units of a product per month. The cost of placing an order is Rs. 100. The purchase price of the raw material is Rs. 10 per kg. The re-order period is 4 to 8 weeks. The consumption of raw materials varies from

100 kgs. to 450 kgs. per week, the average consumption being 275 kgs. The carrying cost of inventory is 20% p.a. You are required to calculate :

(i) Re-order quantity.

(ii) Re-order level.

(iii) Maximum level.

(iv) Minimum level.

(c) A worker is allowed 60 hours to complete the job on a guaranteed wage of Rs. 10 per hour. Under the Rowan plan, he gets an hourly wage of Rs. 12 per hour. For the same saving in time, how much he will get under Halsey plan?

(d) From the following information you are required to prepare a Cash Budget for the period from 1st Jan. 2010 to 31st March 2010, indicating the overdraft facilities required by the firm at the end of each month :

(i) Period	Sales	Purchase	Wages
	(Credit) Rs.	(Credit) Rs.	Rs.
Nov. 2009	1,80,000	1,24,000	12,000
Dec. 2009	1,92,000	1,44,000	14,000
Jan. 2010	1,08,000	2,43,000	11,000
Feb. 2010	1,74,000	2,46,000	10,000
Mar. 2010	1,26,000	2,68,000	15,000

- (ii) 50% of the credit sales are realized in the month following the sales and the remaining 50% in the second month following.
  - (iii) Creditors are paid in the month following the month of purchase.
  - (iv) Wages are paid on 1st of the following month.
  - (v) Cash at bank 1.1.2010 (estimated) Rs. 25,000.
- (e) Describe briefly the main features of process costing. Name the industries where process costing can be applied. Also compare process costing with job costing.
- (f) Explain the meaning of 'Variance Analysis' and describe its significance.
- (g) What is meant by 'break-even point'? How is it determined and what is its use?
- (h) Define labour turnover. State the causes of labour turnover.