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47(3) CAMA 3-3

2013

**COST & MANAGEMENT ACCOUNTING**

Paper : 3-3

Full Marks : 80

Pass Marks : 32

Time : Three hours

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

1. Fill in the blanks :  $1 \times 5 = 5$
- (a) Administration overheads are recovered as a percentage of \_\_\_\_\_ (direct wages / works cost)
  - (b) Management accounting relates to \_\_\_\_\_ (recording of accounting data / presentation of accounting data)

Contd.

(c) Standard costing helps in \_\_\_\_\_  
(measurement of efficiency / controlling prices)

(d) In \_\_\_\_\_ items are manufactured for stock. (Job Costing / Batch Costing)

(e) Cash budget is a \_\_\_\_\_ budget. (Short-term / Long-term)

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

(a) At break-even point, contribution will be equal to profit.

(b) A fixed budget is concerned with budgeting of fixed assets.

(c) Idle time variance is always unfavourable.

(d) Marginal costing is a method of costing.

(e) Cost accounting is concerned with past and future costs.

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

(a) Define Break-even point.

(b) What do you understand by Master-Budget ?

(c) Name two types of industries where process costing is applied.

(d) State two differences of cost accounting and management accounting.

(e) What is Escalation clause in relation with Contract Account.

(f) State two characteristics of Management Accounting.

(g) Annual requirement of raw materials = 60,000 units ; Ordering cost per order = Rs. 600 ; Supervision, tax and insurance cost = Rs. 2 per unit. Calculate the no. of orders to be placed in a year.

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

(a) Explain Production Budget.

(b) How is profit on an incomplete contract brought into account ?

(c) The following information is available in respect of process 'A' of a product.

|  |              |
|--|--------------|
| Input 10,000 units at a cost of Rs. 1,20,000 |              |
| Direct labour                                | — Rs. 20,000 |
| Overheads                                    | — Rs. 12,000 |
| Output of Process 'A'                        | — 9300 units |

The normal loss has been estimated @5%.  
Scrap value of wastage @ Rs. 1.00 per unit.  
Prepare the process 'A' Account.

(d) A machine was purchased on January 1, 2012 for Rs. 5 lakhs. Estimated life of the machine is 10 years and scrap value at the end of 10 years is Rs. 5000.

Repairs & Maintenance Rs. 2,000 p.a.

Estimated number of working hours — 4,000 p.a.

Insurance premium — Rs. 4000 p.a.

Rent per month — Rs. 800

Lighting charges for 20 points for the whole department, out of which 3 points are for the machine — Rs. 120 p.m.

Compute the Machine Hour Rate.

(e) Explain the term 'Cost Allocation' and 'Cost Apportionment'.

(f) State the advantages of FIFO method of pricing issues of materials.

(g) From the following data, calculate

(i) Material Cost Variance

(ii) Material Price Variance and

(iii) Material Usage Variance.

| Material | Standard                | Actual                   |
|----------|-------------------------|--------------------------|
| A        | 40 units@ Rs 50 p. unit | 50 units@ Rs 50 p. unit. |
| B        | 60 units@Rs 40 p. unit  | 60units@Rs 45 p. unit    |

(h) From the following information, calculate

(i) Re-ordering level

(ii) Maximum level

(iii) Minimum level and

(iv) Average level.

Normal Usage per week — 150 units

Reordering quantity — 900 units

Maximum usage per week — 225 units

Minimum usage per week — 75 units

Re-ordering period (weeks) — 12 to 18

5. Answer the following (*any five*) :

(a) M/s. Shivam Ltd. has provided the following information :

Fixed cost = Rs. 50,000

Selling Price per unit = Rs 20

Variable Price per unit = Rs 16

Calculate —

- P/V Ratio
- B.E.P.
- Desire Sales in order to earn profit Rs. 20,000
- Profit when sales are Rs. 3,00,000.

(b) A company has three production departments and two service departments and for a period, the departmental distribution summary has the following totals :

| Production Departments | Service Departments |            |
|------------------------|---------------------|------------|
|                        | Rs.                 | Rs.        |
| A                      | 3000                | 234        |
| B                      | 2000                | 300        |
| C                      | 1000                |            |
|                        | <u>6000</u>         | <u>534</u> |

The expenses of service departments are charged on a percentage basis which is as follows :

|                | A   | B   | C   | S <sub>1</sub> | S <sub>2</sub> |
|----------------|-----|-----|-----|----------------|----------------|
| S <sub>1</sub> | 20% | 40% | 30% | —              | 10%            |
| S <sub>2</sub> | 40% | 20% | 20% | 20%            | —              |

Prepare a statement showing the apportionment of two service departments expenses to production Departments by Simultaneous Equation Method.

- (c) Following details are available from the records of A Ltd. for a month regarding the standard labour hours and rates of an hour for a product.

|              | <u>Hours</u> | <u>Rate per hr. (Rs)</u> | <u>Total (Rs)</u> |
|--------------|--------------|--------------------------|-------------------|
| Skilled      | 10           | 3.00                     | 30.00             |
| Semi-skilled | 8            | 1.50                     | 12.00             |
| Unskilled    | 16           | 1.00                     | 16.00             |
|              |              |                          | <u>58.00</u>      |

The actual production for the product was 1500 units for which the actual hours worked and rates were as follows :

|              | <u>Hours</u> | <u>Rate per hr. (Rs)</u> | <u>Total (Rs)</u> |
|--------------|--------------|--------------------------|-------------------|
| Skilled      | 13,500       | 3.50                     | 47,250            |
| Semi-skilled | 12,600       | 1.80                     | 22,680            |
| Unskilled    | 30,000       | 1.20                     | 36,000            |
|              |              |                          | <u>1,05,930</u>   |

- Compute : (a) Labour Cost Variance  
 (b) Labour Rate Variance  
 (c) Labour Efficiency Variance  
 (d) Labour Mix Variance

- (d) (i) What is E.O.Q. ?

- (ii) The following are the transactions of a firm in purchase and issue of materials.

2012

- Jan 2 Purchased 4000 units@Rs. 4 per unit  
 20 Purchased 500 units@Rs. 5 per unit  
 Feb 5 Issued 2000 units.  
 10 Purchased 6000 units@Rs. 6 per unit  
 12 Issued 4000 units  
 Mar 2 Issued 1000 units  
 5 Issued 2000 units  
 15 Purchased 4500 units@Rs. 5.50 per unit.  
 20 Issued 3000 units.

From the above, prepare store ledger Account using LIFO method of pricing the issues.

- (e) (i) Define Flexible Budget.  
 (ii) What is zero-base budgeting ?  
 State the important steps in preparing zero-base budgeting.

(f) What is break even analysis ? Discuss the assumptions and limitations of this technique.

(g) (i) What is Contract Account ?

(ii) Vishal Contractors undertook a contract for the construction of a Boys' hostel at Guwahati. The contract commenced on 1st April, 2011. From the following particulars, prepare a Contract Account.

|  | Rs.      |
|--|----------|
| Materials sent to site                 | 85,349   |
| Labour engaged on site                 | 74,375   |
| Plants installed at site at cost       | 15,000   |
| Direct expenditure                     | 3,167    |
| Establishment charges                  | 4,126    |
| Materials returned to store            | 549      |
| Work certified                         | 1,95,000 |
| Cost of work not certified             | 4,500    |
| Materials in hand (31-3-2012)          | 1,883    |
| Wages accrued (31-3-2012)              | 2,400    |
| Direct expenditure accrued (31-3-2012) | 240      |
| Value of plant (31-3-2012)             | 11,000   |

The contract price was Rs. 2,50,000. Cash received from the contractor Rs. 1,80,000. Prepare Contract Account.

(h) Define Labour Turnover. State the causes of Labour Turnover.

(i) Distinguish between (any two) :

(i) Bin Card & Store Ledger

(ii) Job costing & Batch Costing

(iii) Cost Accounting & Financial Accounting.

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