

Student's Roll No.

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**3rd SEMESTER EXAMINATION – BBA
NOV – DEC 2009**

**COST ACCOUNTING
(HONOURS)**

CACA3301

Friday, December 18, 2009 09:30 am to 11:30 am

Time allowed: 2 hours

Full Marks: 50

Instructions:

- Use fountain pen or ball-point pen of blue or black ink.
- Answer in own words as far as practicable.
- Do not write anything on the Question paper other than Roll No.

GROUP – A

1. Answer **any five** questions: (5x2=10)
- (a) What do you mean by “semi variable costs”?
 - (b) Distinguish between job costing and contract costing.
 - (c) Briefly describe the process of Cost Accumulation. How is it different from Cost Assignment?
 - (d) State the importance of Cost Drivers in Activity-Based Costing (ABC).
 - (e) What do you mean by notional costs? Give two examples of notional costs.
 - (f) Elucidate with example the importance of safety stock level of petrol in a petrol pump.
 - (g) Distinguish between cost apportionment and overhead absorption.

GROUP – B

Answer **any four** questions: (4x10=40)

2. Camel Instruments Limited manufactures cycle clamps in Howrah. They supply clamps to Hero Cycles and BSA-SLR cycles. These metal clamps pass through three departments, viz foundry, machine shop and assembling. The manufacturing expenses are as follows:

	Foundry	Machine shop	Assembling	Total
Direct wages	Rs.10,000	Rs.50,000	Rs.10,000	Rs.70,000
Works overheads	Rs. 5,000	Rs.90,000	Rs.10,000	Rs.1,05,000

The cost of manufacturing of the clamps supplied to Hero Cycles was worked out by the Company’s accountant Mr. C. K. Haldar as follows:

Materials		Rs.16
Less: Direct wages	Rs.	
Foundry	2	
Machine shop	4	
Assembling	<u>2</u>	8
Works Overhead (150% of direct wages)		<u>12</u>
Total cost:		<u><u>36.</u></u>

The Company’s GM (Finance) feels that this calculation has some logical flaw and calls your valued opinion.

You are required to prepare a revised cost sheet (using overhead recovery rates based on direct wages for the three departments). (10)

3. Raymon Hardware Limited of Chennai undertakes three different jobs of Hyundai Automobile Limited. It makes the brake for the Santro Xing cars and the processes are: –
A-91 : boring five holes on the brake, B-52 : Driving screws through the holes and C-76: Polishing.

All the process require the use of a special machine imported from Korea and also the use of a robot imported from Japan. The Robot has been hired from Fuknora, a Japanese company, having its office in Chennai. The hire charges payable per annum is Rs.4,20,000.

The expenses regarding the machine are estimated as follows :-

	<u>Rs.</u>
Rent for the quarter	17,500
Depreciation per annum	2,00,000
Indirect charges per annum	1,50,000

During the first month of operation the following details were taken from the job register :

Job	A-91	B-52	C-76
Number of hours the machine was used:			
(a) Without the use of a robot	600	900	-----
(b) With the use of a robot	400	600	1,000

You are required to compute the machine hour rate:

- (a) For the firm as a whole, for the month when the robot was used and when the robot was not used.
 (b) For the individual jobs A-91, B-52 and C-76 (10)

4. (a) What do you mean by Activity Based Costing?
 (b) Zeta Limited assembles 2 products from bought in components A & B. Manufacturing details are :-

	A	B
Output (units)	10,000	15,000
Component (numbers)	8	4
Cost of component (Rs.)	4.50	3.60
No. of production runs	200	50
Machine hours per 100 units	2.6	5.3
Items packed in cartons of	10 units	50 units

Budgeted overhead costs are :-

Component purchasing and handling costs	Rs. 28,000
Production control costs	Rs. 36,000
Machine set-up costs	Rs. 50,000
Machine running costs	Rs.1,28,710
Packing costs	Rs. 62,400

Required :-

- (i) Overhead recovery rates using Activity Based Costing.
 (ii) Cost of production of the components. (10)

5. The financial records of X Limited for the year ended 30.6.2006 :

	(Rs. '000)
Sales (20,000 units)	4,000
Materials	1,600
Wages	800
Factory overhead	720
Administrative overhead	416
Selling expenses	288
Finished goods	240

Work-in-Progress (WIP)

Material	48	
Labour	32	
Overhead (Factory)	<u>32</u>	112
Goodwill written off		320
Interest on capital		32

In the Cost Records, Factory overhead is charged @ 100% of wages, Administrative overhead @ 10% of Factory Cost and Selling Cost @ Rs.16 per unit sold.

Required :

Reconciliation of profit as per cost records with financial records. (10)

6. Pet Limited manufactures a product which involves two consecutive processes:

(i) Pressing, (ii) Polishing.

Details for the month of October, 2009 are given below. For complete units in process, material cost are charged at 100% and conversion cost @ 60% in the Pressing Process and 50% in the Polishing Process.

	Pressing	Polishing
Opening stock	----	----
Input in process (units)	1,200	1,000
Units completed	1,000	500
Units under process	200	500
Material	Rs. 96,000	Rs. 8,000
Conversion cost	Rs.3,36,000	Rs.54,000

Required :

Statement of Cost and calculate selling price per unit which will result in 25% profit on sale price. (10)

7. (a) 'Cost accounting records provide a lot of information to the top management to consider alternative courses of action'.

Elucidate the aforementioned expression with appropriate examples.

(b) What is 'Cost plus contract'? (6+4=10)
