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| Student's Roll No. | | - | | - | | - | | | | | |
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ST. XAVIER'S COLLEGE (AUTONOMOUS)

**3rd SEMESTER EXAMINATION
B.B.A.
NOV - DEC 2010**

**COST ACCOUNTING
(New Syllabus)**

CACA3301

Monday, December 13, 2010 9:30 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 your own words as far as practicable.
- Do not write anything on the Question paper other than your Roll No.

GROUP – A

1. Answer **ANY FIVE** questions: (5x2=10)
- (a) Explain the meaning of ‘Sunk Cost’.
 - (b) Distinguish between cost allocation and cost apportionment.
 - (c) State two differences between Process costing and Job costing.
 - (d) What do you mean by ‘Composite Unit’? Give an example.
 - (e) State briefly the treatment of under absorption of overheads while reconciling costing profits with financial profits.
 - (f) Define ‘Opportunity Cost’ citing an example.
 - (g) What do you mean by ‘Cost Drivers’?

GROUP – B

Answer **ANY FOUR** questions: (4x10=40)

2. A company gives you the following information relating to its two product lines:

| | Product | |
|--|----------------|------------|
| | ABC | XYZ |
| Units produced (in number) | 40 | 80 |
| Inspections per product line (in number) | 20 | 4 |
| Machine hours per unit (in hrs.) | 12 | 16 |
| Total budgeted inspection costs (Rs.) | 26,400 | |

Required:

- (a) Determine how much inspection cost is to be allocated to each line assuming the company uses a traditional cost allocation system based on machine hours. What would be the cost per unit of the products? (5)
 - (b) Using activity-based costing how much inspection cost is to be allocated to each line? What would be the cost per unit for products ABC and XYZ? (5)
3. A product is completed by passing through three stages, viz. I, II & III. At the first stage, 60,000 Kg. was charged at a cost of Rs.5 per Kg. and the entire material was consumed. The production particulars along with details of expenses are given below:

| Stage | Input | Output | Direct Wages | Variable overheads on direct Wages | Fixed Overheads | Closing Stock |
|-------|--------|--------|--------------|------------------------------------|-----------------|---------------|
| | Kg. | Kg. | Rs. | (%) | Rs. | Kg. |
| I | 60,000 | 56,000 | 28,000 | 40% | 40,000 | 2,000 |
| II | 54,000 | 50,000 | 30,000 | 50% | 40,000 | 4,000 |
| III | 46,000 | 43,000 | 30,570 | 50% | 67,550 | - |

Normal wastage may be assumed at 5% on input at every stage and saleable at Re.1 per Kg.

Ascertain the selling price per Kg. of output assuming that selling price should yield a return of 20% on sales. (10)

4. The budget of a machine shop for a year is as follows:

| | | |
|--|---|-----------------------|
| Normal working week | : | 42 hours |
| Number of machines | : | 15 |
| Hours spent on maintenance in a week (Normal loss) | : | 5 hours per machine |
| Estimated annual overhead | : | Rs. 5,55,000 |
| Estimated Direct Wages rate | : | Rs.3 per machine hour |
| Number of working weeks in a year | : | 50 |

The actuals in respect of a 4 week period are:

| | | |
|------------------------|---|------------|
| Overhead incurred | : | Rs.49,000 |
| Wages paid | : | Rs. 7,000 |
| Machine hours operated | : | 2,400 Hrs. |

Calculate (i) the overhead rate per machine hour for the year and (ii) the amount of under or over-absorption of overhead and wages in respect of the 4-week period. (6+2+2)

5. A company is considering three alternative proposals for conveyance facilities for its sales personnel who have to do considerable travelling measuring approximately 40,000 Kms every year. The proposals are as follows:

- Purchase and maintain its own fleet of cars. The average cost of a car is Rs.2,00,000.
- Allow the executive use his own car and reimburse expenses @ Rs.2.20 per Km and also bear the insurance costs.
- Hire cars from an agency at Rs.40,000 per year per car. The company will have to bear cost of petrol, taxes and tyres.

The following further details are available:

Petrol Rs.1.20 per Km.

Repairs and maintenance Re.0.40 per Km.

Tyre Re.0.24 per Km.

Insurance Rs.2,400 per car per annum.

Taxes of Rs.1,600 per car per annum.

Life of car : 10 years with annual mileage of 40,000 Km.

Resale value : Rs.40,000 at the end of the 10th year.

Work out the relative costs of three proposals and rank them.

Which one is most economical?

(8+1+1)

6. The following is a summary of the Trading and Profit & Loss A/c of a manufacturing Co. for the year ended 31.12.09.

Trading and Profit & Loss A/c.

| Dr. | Rs.(,000) | | Cr. Rs.(,000) |
|--------------------------------|-----------|----------------------------------|------------------|
| To Materials Consumed | 2,740 | By Sales (1,20,000 units) | 6,000 |
| To Wages | 1,510 | By Financial Stock (4,000 units) | 160 |
| To Factory Expenses | 830 | By Work-in-progress: | |
| To Administration Expenses | 382 | Materials | 64 |
| To Selling & Distribution Exp. | 450 | Wages | 36 |
| To Preliminary Expenses | 40 | Factory Exp. | 20 |
| To Goodwill W/o | 20 | | 120 |
| Net Profit | 326 | By Dividend Received | 18 |
| | 6,298 | | 6,298 |

In the cost accounts the following allocations have been made:

- Factory expenses at 20% on prime cost.
- Administration expenses at Rs.3 per unit.
- Selling and distribution expenses at Rs.4 per unit.

You are required to prepare a costing Profit & Loss A/c. of the company and to reconcile the profit disclosed with that shown in the financial account. (4+6)

7. (i) Discuss how the profit on incomplected contracts be determined.
(ii) What is meant by Escalation clause?
(iii) State in brief the reasons for difference in profit between the cost and financial accounts.

(4+2+4)
