

THIRD YEAR B.Com. DEGREE EXAMINATION, AUGUST 2010

Part III—Commerce

Paper XII—COST AND MANAGEMENT ACCOUNTING

(2005 admissions)

Maximum : 80 Marks

Time : Three Hours

Section A

*Answer any ten questions.
Each question carries 1 mark.*

1. What is marginal costing ?
2. Define product cost.
3. What is cost sheet ?
4. What is EOQ ? How it is calculated ?
5. What is Labour turnover ?
6. What is key factor ?
7. What is comparative income statement ?
8. What is solvency ratio ?
9. What do you mean by material yield variance ?
10. What is EPS ?
11. Explain LIFO.
12. Define Management Accounting.

(10 × 1 = 10 marks)

Section B

*Answer any ten questions.
Each question carries 4 marks.*

13. Distinguish between Cost Accounting and Financial Accounting.
14. Write short notes on simple average method.
15. What are the assumptions underlying break-even chart ?
16. What are the requisites of good budgetary control system ?

Turn over

17. In manufacturing its product Z, a company uses two types of raw materials A and B in respect of which the following information is supplied :
 One unit of Z requires 10 kg. of A and 4 kg. of B materials. Price per kg. of A material is Rs. 10 and that of B is Rs. 20. Reorder quantities of A and B materials are 10,000 kg. and 5,000 kg. Reorder levels of A and B materials are 8,000 kg. and 4,750 kg. respectively. Weekly production varies from 175 units to 225 units averaging 200 units. Delivery period of A material is 1 to 3 weeks and B material 3 to 5 weeks. Compute (i) Minimum stock level of A ; and (ii) Maximum stock level of B
18. Calculate Bonus Payable under Rowan plan where time allowed is 24 hours, time taken is 18 hours and time rate is Rs. 20 per hour.
19. From the following particulars compute machine hour rate :—

	Rs.
Cost of machine	... 1,14,800
Installation charges	... 5,400
Anticipated life of machine	... 10 years
Residual value at the end of 10 years	... 5,000
Rent and rates per annum	... 12,000
Insurance of the machine per annum	... 3,000
Repairs and maintenance per annum	... 8,640
Consumable stores per annum	... 1,200
Total production services per annum	... 1,080
Power cost is 5 units per working hour at 40 paise per unit.	
Setting up time (non-productive) 400 hours. per annum.	

There are 300 working days of 8 hours in a year.

20. Fixed cost ... Rs. 8,000
 Profit earned ... Rs. 2,000
 Break-even sales ... Rs. 40,000
 What is the actual sales ?

21. Prepare a Cash Budget from the following data for 3 months from 1-4-2009 :—

Month	Credit sales Purchases Wages		
	Rs.	Rs.	Rs.
February 2009 ...	1,80,000	1,24,800	12,000
March 2009 ...	1,92,000	1,44,000	14,000
April 2009 ...	1,08,000	2,43,000	11,000
May 2009 ...	1,74,000	2,46,000	10,000
June 2009 ...	1,26,000	2,68,000	15,000

50 % to credit sales are realised in the month following the sales and the remaining 50 % in the second month following :—

Creditors are paid in the month following the month of purchase. Wages are paid in the month itself. Cash at Bank on 1-4-2009 (estimated) Rs. 25,000.

22. From the following particulars, calculate :—

(a) Labour efficiency variance ; (b) Labour cost variance ; and (c) Labour rate variance.

Information as per standard cost card :

Labour rate—Rs. 2 per hour ; Hours— 3 per hour ; Hours—3 per unit.

Actual production data :

Units produced 250 ; Labour rate Rs. 2.50 per hour ; Hours worked 800.

23. Net sales Rs. 6,00,000. Gross profit ratio 20 %. Inventory turnover ratio—12 times. Find out the value of closing stock if it is more than Rs. 5,000 than opening stock.

24. What are the essential characteristics of good report ?

(10 × 4 = 40 marks)

Section C

Answer any two questions.

Each question carries 15 marks.

25. The following is a summary of the receipts and issue of materials in a factory during January 2009 :—

January

- 1 Opening balance 500 units at 25 per unit
- 3 Issue 70 units
- 4 Issue 100 units
- 8 Issue 80 units
- 13 Received from supplier 200 units at 24.5 per unit
- 14 Returned to store 15 units at Rs. 24 per unit
- 16 Issue 180 units
- 20 Received from supplier 240 units at 24.75 per unit
- 24 Issue 304 units
- 25 Received from supplier 320 units at 24.5 per unit
- 26 Issue 112 units
- 27 Returned to store 12 units at 24.5 per unit
- 28 Received from supplier 100 units at 25 per unit

Work out on the basis of FIFO. This revealed that on the 15th there was a shortage of 5 units and another on 27th of 8 units.

26. From the following summarised Balance Sheet of Bharat Trading Co. Ltd. as at 31st December 2008 and 2009 prepare a statement showing sources and application of funds :

	31-12-2008	31-12-2009
	Rs.	Rs.
Share capital ...	5,00,000	7,50,000
Share premium ...	50,000	75,000
Profit and Loss Account ...	2,00,000	3,50,000
Sundry Creditors ...	1,25,000	1,50,000
Bank overdraft ...	—	50,000
Proposed dividend ...	25,000	25,000
	<u>9,00,000</u>	<u>14,00,000</u>
Land and Buildings ...	2,50,000	2,50,000
Plant and Machinery ...	3,50,000	8,00,000
Stock ...	87,500	1,50,000
Sundry Debtors ...	1,12,500	1,75,000
Cash ...	20,000	10,000
Bank ...	80,000	15,000
	<u>9,00,000</u>	<u>14,00,000</u>

27. You are given the following data :—

	Sales	Profit
2008 ...	1,20,000	8,000
2009 ...	1,40,000	13,000

Find out :

- (i) P/V ratio ; (ii) Break-even point ; (iii) Profit when sales are Rs. 1,80,000 ; (iv) Sales required to earn a profit of Rs. 12,000 ; (v) Margin of safety in 2009.

(2 × 15 = 30 marks)