

THIRD YEAR B.Com. DEGREE EXAMINATION, MARCH 2010

Part III—Commerce

Paper XII—COST AND MANAGEMENT ACCOUNTING

(2005 admissions)

Time : Three Hours

Maximum : 80 Marks

Section A

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

1. Define Cost Centre.
2. What is Scrap ?
3. Define Standard Costing.
4. What is Opportunity Cost ?
5. Explain Prime Cost.
6. What is idle time ?
7. What is overhead ?
8. What is margin of safety ?
9. What is Leverage ratio ?
10. What is Fund Flow Statement ?
11. Define budgetary control.
12. Give two examples of variable cost.

(10 × 1 = 10 marks)

Section B

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

13. What are the objectives of Cost Accounting ?
14. Explain the procedure of purchasing materials.
15. Distinguish between Flexible budget and Fixed budget.
16. What are the advantages of budgetary control ?
17. Find out reorder quantity if consumption is 70–100 units per day. Delivery period is 2–6 days and maximum level is 810 units.

Turn over

18. The following expenses were incurred annually in respect of a factory having 8 machines of similar nature :—

	Rs.
Lighting for the factory	800
Supervision	900
Repairs	2,400
Rent and Rates	4,000
Attendants : Two persons looking after 8 machines paid at Rs. 60 per month each.	2,000
Interest paid on loan	9,600
Power consumed for the shop at 10 paise per unit	300
Depreciation per machine	240
Sundry supplies for factory	

Each machine consumes 10 units of power in an hour. Calculate machine hour rate if a machine runs for 1,200 hours in a year.

19. During the first week of January 2006 M produced 400 articles. He receives wages for a guaranteed 48 hours a week at Rs. 5.00 per hour. The estimated time to produce one article is 12 minutes. Calculate his wages according to (a) Halsey premium plan ; and (b) Rowan premium plan.

20. From the following data, calculate :

(i) Break-even point expressed in amount of sales in rupees ; (ii) Number of units that must be sold to earn a profit of Rs. 1,60,000 per year.

Selling price	Rs. 20 per unit
Variable manufacturing cost	Rs. 11 per unit
Variable selling cost	Rs. 3 per unit.
Fixed Factory overheads	Rs. 5,40,000 per year
Fixed Selling Cost	Rs. 2,52,000 per year.

21. What are the disadvantages of marginal costing ?

22. From the following particulars, prepare production budget for 3 months ending 30th June 2008.

	Estimated Sales (Rs.)
April 2008	1,40,000
May 2008	1,60,000
June 2008	1,30,000
July 2008	1,20,000

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23. Find out the operating ratio from the following data :—

	Rs.
Opening stock	... 20,000
Closing stock	... 24,000
Purchases	... 1,23,000
Office and administration expenses	... 6,500
Selling and distribution expenses	... 7,200
Sales	... 2,20,000
Sales returns	... 13,000

24. From the data given below, calculate :

- (a) Material cost variance.
 (b) Material price variance.
 (c) Material usage variance.

Products	Standard Quantity (Units)	Standard Price (Rs.)	Actual Quantity (Units)	Actual Price (Rs.)
A	1,050	2.00	1,100	2.25
B	1,500	3.25	1,400	3.50
C	2,100	3.50	2,000	3.75

(10 × 4 = 40 marks)

Section C

Answer any two questions.
 Each question carries 15 marks.

25. You are given below the Balance Sheets of Telex Limited as on 31st December 2007 and 2008 :

Balance Sheet

Liabilities	2007 Rs.	2008 Rs.	Assets	2007 Rs.	2008 Rs.
Share Capital	3,00,000	4,50,000	Land and Buildings	3,00,000	3,00,000
Share premium	—	15,000	Plant at cost	3,12,000	3,00,000
General Reserve	1,50,000	1,80,000	Furniture at cost	21,000	27,000
Profit and Loss Account	30,000	51,000	Investments at cost	1,80,000	2,40,000
9 % Debentures	2,10,000	1,50,000	Debtors	90,000	2,10,000
Provision for Depreciation on plant	1,50,000	1,68,000	Stock	1,80,000	1,95,000
Provision for Depreciation on Furniture	15,000	18,000	Cash	90,000	1,35,000
Provision for tax	60,000	90,000			
Sundry creditors	2,58,000	2,85,000			
	11,73,000	14,07,000		11,73,000	14,07,000

Turn over

7. Mr. Abraham is an employee of a public limited company. Given below calculate salary income for the assessment year 2010-11.

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A plant purchased for Rs. 12,000 (Depreciation Rs. 6,000) was sold for cash Rs. 2,400. Furniture purchased during the year Rs. 6,000. A dividend of 20% on original shares was paid. Prepare (a) a statement showing changes in working capital; and (b) statement of sources and application of funds.

26. From the following receipts and issues of material during the month of January 2008, prepare Stores Ledger Account according to LIFO method :-

2008 January	1	Received 500 units at Rs. 10 per unit.
January	5	Received 250 units at Rs. 11 per unit.
January	8	Issue 300 units
January	10	Received 400 units at Rs. 12 per unit.
January	13	Issue 250 units
January	20	Received 100 units at Rs. 11 per unit.
January	28	Issue 400 units

On 1st January 2008, Stock in hand was 200 units values at Rs. 9 per unit.

7. PH Ltd. is a manufacturing company having 3 production departments A, B and C and two service departments, X and Y.

The following is the budget for December 2008 :-

	Total	A Rs.	B Rs.	C Rs.	X Rs.	Y Rs.
Direct material	...	1,000	2,000	4,000	2,000	1,000
Direct wages	...	5,000	2,000	8,000	1,000	2,000
Factory Rent	...	4,000				
Power	...	2,500				
Depreciation	...	1,000				
Other overheads	...	9,000				

Additional Information :

Area (Sq.ft.)	...	500	250	500	250	500
Capital value of Assets (Rs. Lakhs)	...	20	40	20	10	10
Machine Hours	...	1,000	2,000	4,000	1,000	1,000
Horse power of Machines	...	50	40	20	15	25

A technical assessment of apportionment of expenses of service department is as under :-

	A	B	C	X	Y	
Service Department X (%)	...	45	15	30	-	10
Service Department Y (%)	...	60	35	-	5	-

You are required to prepare :

- Statement showing distribution of overheads to various departments .
- Statement showing redistribution of service department expenses to production departments.