

Roll No. ....

**BBA-504(N)**

**B. B. A. (Fifth Semester)  
EXAMINATION, Dec., 2014**

(New Course)

Paper Fourth

**COST AND MANAGEMENT ACCOUNTING**

*Time : Three Hours ]*

*[ Maximum Marks : 70*

**Note :** Question No. 1 in Section A is compulsory which carries 30 marks. Attempt any *two* questions from Section B and any *two* questions from Section C. Each question in Section B and C carries 10 marks.

**Section—A**

1. Answer all the following questions. Each question carries 3 marks.
  - (a) Give a classification of costs.
  - (b) What are the factors to be taken into consideration while installation of costing system ?
  - (c) Distinguish between direct material and indirect material giving examples of each.



- (d) Explain the FIFO and LIFO methods of pricing issues of materials.
- (e) How are wages calculated under Halsey premium plan ?
- (f) Discuss the causes of normal and abnormal idle time wages and their accounting treatment.
- (g) How are P/V Ratio, Break-even point, Margin of safety and sales volume to earn desired profit calculated ?
- (h) Give proforma of cost sheet.
- (i) You are given fixed costs ₹ 3,20,000; Sales ₹ 10,00,000 and variable costs ₹ 6,00,000. Calculate the break-even point.
- (j) The annual requirement of material in a manufacturing company is 10000 kg, ordering costs per order are ₹ 50, cost per kg of raw material is ₹ 2 and storage costs are 8% on average inventory, determine the economic order quantity and the number of orders to be placed in a year.

### Section—B

Note : Attempt any two questions. Each question carries 10 marks.

2. "A good system of costing serves as a means of control over expenditure and helps to secure economy in manufacture." Elucidate this statement and discuss the utility of cost accounting in an underdeveloped country like India.
3. What do you mean by absorption of overheads ? Discuss the methods of absorption of overheads.

Or

The Navin Enterprises Limited has production departments A, B and C and two service departments D and E. The following figures are extracted from the cost accounting records of the company :

	₹
Rent, Rates and Taxes	10,00,000
General Lighting	12,000
Indirect wages	30,000
Depreciation on Machinery	2,00,000
Sundries	2,00,000

The following further details are available :

	Departments					
	Total	A	B	C	D	E
Floor space (in square feet)	10000	1000	2500	3000	2000	500
Light Points	60	10	15	20	10	5
Direct Wages (₹)	2,00,000	60,000	40,000	60,000	30,000	10,000
Horse Powers Machines	150	60	30	50	10	—
Value of Machinery (₹)	50,00,000	12,00,000	16,00,000	20,00,000	1,00,000	1,00,000
Working Hours	—	6226	4028	4066	—	—



The expenses of service departments D and E are allocated as follows :

	Departments				
	A	B	C	D	E
Department D	20%	30%	40%	—	10%
Department E	40%	20%	30%	10%	—

You are required to prepare a statement showing apportionment of overheads to various departments and re-apportionment of service department overheads to production department.

What shall be the total cost of an article if the raw material cost is ₹ 5,000 and labour cost ₹ 3,000 and it passes through departments A, B and C for 40, 50 and 30 hours respectively.

On 18th August, 2014 Nav Bharat Cycle Manufacturing Company Limited was required to quote for the supply of 500 bicycles. From the following details prepare a statement showing the price to be quoted to give the same percentage of net profit on turnover as was realised during the six months to 30th June, 2014 :

Stock of raw materials	₹	10,00,000
1st January, 2014		1,40,000
30th June, 2014		1,40,000
Purchases of materials during six months to 30th June, 2014		15,00,000

Factory wages for six months to 30th June, 2014 30,00,000

Indirect charges during six months to 30th June, 2014 5,00,000

Completed stock on hand :

1st January, 2014 Nil

30th June, 2014 10,00,000

The number of bicycles manufactured during the six months was 2000 including those sold and in the stock at the end of the period. The bicycles to be quoted for are to be of uniform size and quality and similar to those manufactured during the six months to 30th June, 2014. As from 1st August the cost of factory labour has increased by 10% and cost of materials has gone down by 5%. Sales during the six months to 30th June, 2014 were ₹ 54,00,000.

5. The following are the particulars given to you :

Standard time	100 hours
Rate of wages per hour	₹ 20

Prepare a statement of total earning of worker under Halsey Premium Plan and Rowan Premium Plan when the actual time taken by the worker is 90 hours, 80 hours, 60 hours, 40 hours, 30 hours and 50 hours. What conclusions do you draw from your calculations ?



## Section—C

Note : Attempt any two questions. Each question carries 10 marks.

6. Define Management Accounting. What are the objectives and advantages of Management Accounting ?
7. Distinguish between marginal costing and absorption costing techniques of costing. Give proforma of statement of cost and profit under marginal costing method.
8. The following information have been taken from the cost accounting records of M/s Arihant Manufacturing Company Limited for the years ended on 31st March, 2013 and 2014 :

Year	Sales (₹)	Profit (₹)
2013	12,00,000	90,000
2014	14,00,000	1,30,000

Assuming that the cost structure and selling prices remain the same in the years ending on 31st March, 2013 and 2014, calculate the following :

- (i) Profit Volume Ratio
- (ii) Fixed Costs
- (iii) Break-even point
- (iv) Sales required to earn a profit of ₹ 2,00,000
- (v) Profit when sales are ₹ 10,00,000

9. In a company 15000 units of an article were manufactured during the month of November, 2014 and 13500 units were

sold at ₹ 14 per unit. The following figures are obtained from costing records of the company :

	₹
Raw materials consumed	10,50,000
Direct wages	3,12,000
Fixed factory overheads	6,00,000
Variable factory overheads	3,00,000
Fixed office and Administration Overheads	9,90,000
Variable office and Administration Overheads	6,60,000
Fixed selling and distribution overheads	5,40,000
Variable selling and distribution overheads	2,43,000

You are required to prepare the following for the month ended 30th November, 2014 :

- (i) Statement of cost and project under absorption costing method.
- (ii) Statement of cost and profit under marginal costing method.