

Roll No.

BBA-205(O)

**B. B. A. (Second Semester)
EXAMINATION, May, 2013**

(Old Scheme)

Paper Fifth

COST ACCOUNTING

Time : Three Hours]

[Maximum Marks : 75

Note : All questions are compulsory. All questions carry equal marks.

1. "Cost accounting is a system of foresight and not a post-mortem examination, it turns losses into profits, speeds up activities and eliminates wastes." Elucidate this statement and distinguish between financial accounting and cost accounting.
2. What are the elements of cost ? How is a cost sheet prepared in a manufacturing organization ? Explain.

Or

The directors of a manufacturing business require a statement showing the production results of the business for the month of Mach, 2013. The cost accounts reveal the ahead information :

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Stock on hand - 1st March, 2013 :

Raw materials	25,000
Finished Goods	17,360

Stock on hand-31st March, 2013 :

Raw materials	26,250
Finished goods	15,750
Purchases of raw materials	21,900
Work-in-progress- 1st March, 2013	8,220
Work-in-progress-31st March, 2013	9,100
Sale of finished goods	72,310
Direct wages	17,150
Non-productive wages	830
Works expenses	8,340
Office and Administrative Expenses	3,160
Selling and Distributive Expenses	4,210

You are required to construct the statement so as to show :

- The value of materials consumed.
- The total cost of production.
- The cost of goods sold.
- The profit on goods sold.
- The net profit for the month.

3. What is Contract Account ? Give pro forma of contract account and explain the rules relating to computation of profit to be taken upon a contract at the end of the year.

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Or

The following balances are extracted from the books of a building contractor on 31st March, 2013 regarding Contract No. 123 :

Materials issued to site	62,720
Wages paid	73,455
Wages outstanding 31-3-2013	720
Plant issued to site	6,000
Direct charges paid	2,515
Direct charges outstanding on 31-3-2013	210
Establishment charges	5,650
Stock of materials at site on 31-3-2013	1,200
Cost of work not yet certified	3,500
Cash received on account of architect's certificates after deduction by customer of 14.5 percent retention money	1,41,075

The work was commenced on April 1, 2012 and the contract price was agreed at ₹ 2,45,000. Prepare contract account for the year providing for depreciation on plant at 25 percent. Calculate the profit or loss in the contract to date and make such provisions in the contract account as you consider desirable. Set out also the contractor's balance sheet so far as it relates to the contract.

4. What do you mean by normal wastage, abnormal wastage and abnormal gain ? What are the causes of wastage of material ? Discuss the methods of accounting treatment of normal and abnormal wastage of material.

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Or

Navharat Chemicals Ltd. produced three chemicals during the month of June, 2000 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from process (1) and (2) realizes ₹ 100 a ton and from process (3) ₹ 20 a ton.

The products of the processes are dealt with as follows :

	Process 1	Process 2	Process 3
Passed on to the next process	75%	50%	—
Sent to warehouse for sales	25%	50%	100%

Expenses Incurred :

	₹	Tons	₹	Tons	₹	Tons
Raw Materials	60,000	470	27,000	270	80,000	540
Manufacturing wages	10,000	—	4,500	—	13,400	—
General Expenses	5,800	—	3,250	—	2,408	—

Prepare Process Cost Accounts showing the cost per ton of each process.

5. Write short notes on any two of the following :
- Incentive wage schemes
 - Operating costing
 - Reconciliation statement
 - Methods of pricing issues of material
 - Methods of Absorption of overheads.

The following figures have been extracted from the Financial accounts of a manufacturing firm for the first year of its operation :

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Direct Material Consumption	₹ 50,00,000
Direct wages	30,00,000
Factory Overheads	16,00,000
Administrative Overheads	7,00,000
Selling and distribution overheads	9,60,000
Bad Debts	80,000
Preliminary expenses written off	40,000
Legal Charges	10,000
Dividends Received	1,00,000
Interest Received on Deposits	20,000
Sales (1,20,000 units)	1,20,00,000
Closing Stocks :	
Finished Goods (4000 units)	3,20,000
Work-in-Progress	2,40,000

The cost accounts for the same period reveal that the direct material consumption was ₹ 56,00,000. Factory overhead is recovered at 20% on prime cost. Administrative overhead is recovered at ₹ 6 per unit of production. Selling and distribution overheads are recovered at ₹ 8 per unit sold.

Prepare the Profit and Loss accounts both as per financial records and as per cost records. Reconcile the profits as per the two records.

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