(i) **Printed Pages: 7** **Roll No. ....**

(ii) **Questions : 14** **Sub. Code : 0 8 1 8**

Exam. Code : 0 0 1 3

Bachelor of Commerce 3rd Semester

1128

COST ACCOUNTING

Paper : BCM-302

Time Allowed : Three Hours] **[Maximum Marks : 80**

Note :— Attempt **FOUR** questions from Section-A and **TWO** questions each from Section-B and Section-C. Use of non-programmable calculator is allowed.

SECTION—A (Marks : 4×5=20)

1. Distinguish between period costs and discretionary costs.

2. Which type of costing method would you follow for a restaurant and an educational institute ?

3. A company buys its annual requirement of 36,000 units in six installments. Each unit costs. Rs. 10 and the ordering cost is Rs. 250. The inventory carrying cost is estimated at 20% of the unit value per annum. Find the total annual cost of the existing inventory policy. How much money can be saved by economic order quantity ?

4. Prepare a reconciliation account from the following details :

Profit as per cost accounts Rs. 89,700

Profit as per financial accounts Rs. 90,000

Additional information is as below :

	Financial Accounts	**Cost Accounts**
Raw Materials		
Opening	35,000	35,300
Closing	40,000	39,600
Work in Progress		
Opening	26,000	25,500
Closing	30,000	29,900

5. A job has been sub-divided into three elements. The time for each element and respective performance rating factors are given below :

Element Number	**Observed Time (Min.)**	**Rating Factor %**
1	0.7	80
2	0.8	100
3	1.3	120

Calculate normal time and standard time for each element and for the job if admissible allowance is set as 15%.

6. The cost of service department X is Rs. 4,000 and that of Y is Rs. 4,800. An analysis reveals that X department renders 20% of its service to Y and Y renders 30% of its service to X. You are required to re-apportion these costs to enable company to distribute among production departments.

SECTION—B (Marks : 2×15=30)

7. Mention the steps to be taken while installing a cost accounting system in a manufacturing concern. Enumerate practical difficulties involved in installing a costing system in a manufacturing concern.

8. What is meant by labour turnover ? State its causes and effects. How is it measured ?

9. Ramsons Inc. is involved in manufacturing of a product 'GAMMA'. The following information was extracted from the books for the year 2017 :

   (a) Monthly demand of 'GAMMA' — 7,500 units

   (b) Cost of placing an order is Rs. 500.

   (c) Annual carrying cost per unit is 10%.

   (d) Purchase price per unit is Rs. 60.

   (e) Weekly usage range is 250–750 units.

   (f) Lead time range is 5-8 weeks.

   You are required to calculate EOQ and total annual cost under EOQ, Reorder Level, Minimum and Maximum level. Can you change lot size if a discount of 0.5% is offered for a minimum lot size of 7,500 units ?

10. In a factory guaranteed wages at the rate of Rs. 180.00 per hour are paid in a 48-hour week. By time and motion study it is estimated that to manufacture one unit of a particular product 20 minutes are taken. The time allowed is increased by 25%. During one week, three workers Abraham, Mohammad, and Qasim produced 180 units, 150 units and 200 units of the product respectively. Calculate their wages under each of the following methods :

(a) Time rate,

(b) Piece-rate with a guaranteed weekly wage,

(c) Halsey premium bonus and

(d) Rowan premium bonus.

SECTION—C (Marks : 2×15=30)

11. Indicate the reasons why it is necessary for the cost and financial accounts of an organization to be reconciled and explain the main sources of difference which would enter into such a reconciliation.

12. Under integral system, explain the detailed records required for the following accounts :

(a) Stores

(b) Work-in-Progress

(c) Finished Goods.

13. Lekha Mfg. Co. manufactures two types of pens P and Q. The cost data for the year ended on June 30, 2018 is as follows :

Direct materials	Rs. 4,00,000
Direct wages	Rs. 2,24,000
Production overhead	Rs. 96,000

There was no work-in-progress at the beginning or at the end of the year. It is ascertained that :

(i) Direct material per unit of type P costs twice as much direct material per unit of type Q.

(ii) Direct wages per unit for type Q were 60% of those for type P.

(iii) Productions overhead was of the same rate for both types.

(iv) Administration overhead for each was 200% of direct labour.

(v) Selling costs were 50 paise per pen for both types.

(vi) Production during the year :

Type P	40000 units
Type Q	120000 units

(vii) Sales during the year :

Type P	36000 units
Type Q	100000 units

(viii) Selling prices were Rs. 14 per pen for type P and Rs. 10 per pen for type Q.

Prepare a statement showing per unit cost of production, total cost, and profit separately for the two types of pens P and Q.

14. The cost of a machine is Rs. 66,000 and it has an estimated scrap value of Rs. 6,000 at the end of its estimated effective life of 10 years. Annually the machine works on all the 365 days at a rate of 8 hours a day of which 120 hours p.a. are consumed by maintenance. About $1/7^{th}$ of the total productive time is consumed in setting the machines. Various costs relating to the working of the machine are as follows :

    (i) Two units of power are consumed every hour at the rate of Rs. 1.40 per unit.

    (ii) Monthly cleaning and oiling expenses for the machine are Rs. 280.

    (iii) Annual maintenance of machine amounts to Rs. 2,800.

    (iv) Three operators combined together control operation of ten identical machines and each of them gets a monthly salary of Rs. 2,100.

    (v) Annual departmental overheadss apportioned to the machine are :

    Fixed : Rs. 5,480; Variable : Rs. 12,600.

Compute the machine hour rate in each of the following cases :

(a) Setting up time is regarded productive but power is not consumed during setting up time.

(b) Setting up time is not regarded productive but power is consumed during setting up time.