Odd Semester, 2020

(Held in March, 2021)

BUSINESS ADMINISTRATION

(Honours)

(BBAC–301)

(Cost and Management Accounting)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

UNIT—I

1. *(a)* Define Cost Accounting. What are the objectives of Cost Accounting? Differentiate between Cost Accounting and Management Accounting. 2+3+4=9

(b) Discuss the various components of Cost Sheet. 6

Or

(a) What is a Cost Sheet? 3

(b) The accounts of *ABC* Ltd. show the following :

	₹
Material Used	1,80,000
Manual and machine labour wages directly chargeable	1,60,000
Works overhead expenditure	40,000
Establishment and general expenses	19,000

(i) Show the works cost and total cost, the percentage that the works overhead cost bears to the manual and machine labour wages and the percentage that the establishment and general expenses bear to the works cost. 6

(ii) What price should the company quote to manufacture of machine which, it is estimated that will require an expenditure of ₹ 8,000 on materials and ₹ 6,000 on wages so that it will yield a profit of 25% on the total cost or 20% on selling price. 6

UNIT—II

2. *(a)* Write notes on the following : 3×3=9

(i) Economic order quantity

(ii) LIFO

(iii) Bin Card

(b) XYZ Ltd. uses EOQ logic to determine the order quantity for the various components and is planning its orders. The annual consumption is 80000 units, cost to place one order is ₹ 1,200, cost per unit is ₹ 50 and carrying cost is 6% of unit cost. Find EOQ, number of order per year and ordering cost. 6

Or

(a) Define overheads. Write on the behavioural classification of overheads with suitable examples. 3+6=9

(b) The budget of a machine shop for 2019–20 is as follows :

Normal working week	42 hr
Number of machines	15
Hrs. spent on maintenance per week (normal loss)	5 hr (per machine)
Estimated annual overhead	₹ 5,55,000
Number of working weeks in2019–20	50

The actuals in respect of 4-week period in 2019–20 are :

Overhead incurred	₹ 49,000
Machine hr. worked	2400

Calculate :

(i) Overhead rate per machine hour for 2019–20 3

(ii) The amount of over or under-absorption of overhead in respect of 4-week period. 3

UNIT—III

3. Define Job Costing. What are the advantages of using this method? List out the industries in which Job Costing can be employed. Differentiate between Job Costing and Process Costing. 3+3+4+5=15

Or

Define Contract Costing. List out the advantages and disadvantages of using this method. Differentiate between Contract Costing and Process Costing. 3+6+6=15

UNIT—IV

4. (a) Define break-even point. 3

(b) Enumerate the importance of break-even analysis in business decision making. 5

(c) A company produces a single product, currently utilising 80% capacity with a turnover of ₹ 1,60,000 at ₹ 10 per unit. The marginal cost of production per unit is ₹ 6 and total fixed cost of the company is ₹ 40,000 per annum. The statement of cost and sales revenue at different levels of production are as under :

	0 Unit (₹)	5000 Units (₹)	10000 Units (₹)	16000 Units (₹)
Fixed Cost	40,000	40,000	40,000	40,000
Variable Cost	—	30,000	60,000	96,000
Total Cost	40,000	70,000	1,00,000	1,36,000
Sales Revenue	—	50,000	1,00,000	1,60,000

Draw the break-even chart showing break-even point and margin of safety. 7

Or

(a) Write notes on : 3+3+3=9

(i) Product mix

(ii) Key factor

(iii) Angle of incidence

(b) Reliant Enterprises, a sailboat manufacturer, is currently operating at 70 percent capacity and producing about 10000 units a year. In order to use more capacity, the manager has been considering the research and development department's suggestions that Reliant Enterprises manufacture its own sails :

Currently Reliant purchases sails from a supplier at unit price of ₹ 28. Estimates show that the firm can manufacture its own sails at ₹ 10 per unit direct materials cost and ₹ 8 direct labour cost. The factory overhead is ₹ 2 per direct labour cost of which 20 percent is variable.

(i) Should Relient Enterprises make or buy the sales? 3

(ii) Suppose the Relient Enterprises could rent out the currently unused part of the factory for ₹ 1,000 a month, how would this affect the decision in part *(i)*? 3

UNIT—V

5. *(a)* Identify the role of standard costs in the budgetary control process. 6

(b) From the following particulars, compute—

(i) materials cost variance;

(ii) materials price variance;

(iii) materials usage variance. 3+3+3=9

Quantity of materials purchased—3000 units
Value of materials purchased—₹ 9,000
Standard quantity of materials required per tonne of output—30 units
Standard rate of material—₹ 2·50 per unit
Opening stock of materials—Nil
Closing stock of materials—500 units
Output during the period—80 tonnes

Or

(a) Write short notes on : 5+5=10

(i) Budget and budgetary control

(ii) Flexible budget

(b) Calculate overhead cost variances from the following : 5

Budgeted hours for March 2020—180 hours
Standard rate of article produced per hour—50 units
Budgeted fixed overheads—₹ 2,700
Actual production—9200 units
Actual hours for production—175 hours
Actual fixed overhead cost—₹ 2,800

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