# KALYANI MAHAVIDYALAYA

## B.COM. (HONS.) PART-I TEST EXAMINATION - 2017
## SUB: COST & MANAGEMENT ACCOUNTING

**TIME: 2 Hours** **F.M=50**

1. Answer any five questions: 2x5=10

i) What do you mean by cost units?

ii) What is 'idle time'?

iii) Mention one advantage and one disadvantage of time rate system of wage payment.

iv)What do you understand by under-absorption of overhead?

v) What is 'Break Even Point'?

vi) Define 'standard costing'.

vii) What is retention money in contract costing?

viii) Name two industries where Process Costing is applicable.

2. Answer any four questions: 10x4=40

**(a)** Following particulars are supplied by a manufacturer for the month of February, 2017:

| | |
|---|---|
| Average monthly demand | 4,000 units |
| Ordering Cost | Rs.200 per order |
| Inventory carrying cost | 20% per annum |
| Cost of materials | Rs.1,000 per unit |
| Minimum usage | 100 units per week |
| Maximum usage | 400 units |
| Lead time to supply | 6 – 8 weeks |

Compute from the above:

(i) EOQ

(ii) Maximum level of stock

(iii) Minimum level of stock

(iv) Re-order level.

**(b)** From the following particulars, calculate machine hour rate -

| | |
|---|---|
| Cost of machine (including installation charges) | Rs.1,15,000 |
| Rent of shop p.m. | Rs. 1,000 |
| Lighting of shop p.m. | Rs. 1,500 |
| Repairs p.a. | Rs. 1,700 |
| Supervisor's salary p.m. | Rs. 1,200 |
| Insurance premium of the machine per quarter | Rs. 375 |

The life of the machine is 10 years with a scrap value of Rs.15,000. It occupies one-fifth of the shop area and consumes three units of power per hour @33.33paise per unit. Supervisors devote one-third of his time to the machine. The machine has the capacity of working 5,000 hours p.a., but it actually works at 80% of the capacity.

**(c)** A firm of building contractors began to trade on 1st April, 2016. The following was the expenditure on the contract of Rs.30,00,000 :

| | |
|---|---|
| Materials Issued to contract | Rs.51,000 |
| Plant used for contract | Rs.15,000 |
| Wages incurred | Rs.81,000 |
| Other expenses incurred | Rs. 5,000 |

Cash received on account to 31st March,2017 amounted to Rs. 1,28,000 being 80% of the work certified of the plant and materials charged to the contract plant which cost Rs. 3,000 and materials which cost Rs.2,000 were lost. On 31st March, 2017 plant which cost Rs. 2,000 was returned to stores, the cost of work done but uncertified was Rs. 1,000 and materials costing Rs.2,300 were in hand on site. Charge 15% depreciation on Plant.

Prepare a contract account from the above particulars.

**(d)** From the following particulars, work out the earnings of a worker for a week under :

(i)Piece Rate System

(ii)Halsey Premium Bonus Scheme, and

(iii)Rowan Premium Bonus Scheme

| | |
|---|---|
| Weekly working hours | 48 |
| Hourly wage rate | Rs.7.50 |
| Normal time taken per piece | 20 minutes |
| Normal output per week | 120 pieces |
| Actual output for the week | 150 pieces |

(e) Linux. Ltd. furnished the following information :

Sales (10,000 units) Rs.2,00,000

Variable cost p.u. Rs.12

Fixed cost Rs.40,000

Calculate – (i)P/V Ratio, (ii)Required sales to earn a profit of Rs.20,000, (iii)Net Profit when sales is Rs.2,50,000, and (iv) BEP.

(f) A product passes through two processes - I and II. During the month of March, 2017, the input to Process I of the basic raw material was 5,000 units at Rs. 2 per unit. Other information for the month was as follows:

| Particulars | Process I | Process II |
|---|---|---|
| Outputs(units) | 4,700 | 4,300 |
| Normal loss( % of input) | 5 | 10 |
| Scrap value per unit (Rs.) | 1 | 5 |
| Direct wages(Rs.) | 3,000 | 5,000 |
| Direct expenses(Rs.) | 9,750 | 9,910 |

Total overhead Rs.16, 000 were recovered as percentage of direct wages. There were no opening or closing work-in-progress stocks.

Prepare Process I and Process II Accounts.

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