

**STELLA MARIS COLLEGE (AUTONOMOUS) CHENNAI – 600 086.**  
**(For candidates admitted during the academic year 2008-09 & thereafter)**

**SUBJECT CODE : CM/MC/CM24**

**B.Com. DEGREE EXAMINATION APRIL 2011**  
**COMMERCE**  
**SECOND SEMESTER**

**COURSE : MAJOR – CORE**  
**PAPER : COST AND MANAGEMENT ACCOUNTING**  
**TIME : 3 HOURS** **MAX. MARKS : 100**

**SECTION – A**

**ANSWER ALL QUESTIONS:**

**( 10 x 3 = 30 )**

- 1) What is a “Tender”?
- 2) What are the causes for labour turnover?
- 3) What is ABC analysis?
- 4) What is MIS?
- 5) What is Debt Equity Ratio?
- 6) Calculate the Raw Material consumed from the following details :

	Rs.
Raw Material purchased	80,000
Sale of Material scrap	1000
Opening stock of Raw Materials	12,000
Closing stock of Raw Materials	21,000

- 7) Compute the labour cost per man day of 8 hours from the following details:
  - a) Basic Wage – Rs. 2,000 per month.
  - b) Dearness allowances @ 20% of the basic wage.
  - c) Leave Pay @ 10% of the basic wage.
  - d) Contribution to Provident Fund by the Employer @ 5% of the basic wage.
  - e) Working days of the month – 25 days of 8 hours each.
- 8) Find out the economic ordering quantity (EOQ) & the No. of orders from the following particulars :

Annual consumption	Rs. 1,20,000
Cost of placing and receiving one order	Rds. 60.
Annual carrying cost	10% of inventory value.

- 9) From the following particulars, calculate the machine hour rate of welding machine :
  - Cost of welding machine : Rs. 4,20,000
  - Estimated scrap value – Rs. 20,000
  - Estimated working life – 10 years.
  - Running time for a four week period – 1500 hours
  - Estimated repairs for life – Rs. 10,000
  - Standing charges allocated to this machine for a week Rs. 3,000
  - Power consumed per hour – 5 units at Re. 1 per unit.

10 Prepare a cost sheet from the following details :

Raw material consumed	Rs. 80,000
Wages	Rs. 20,000

Works expenses are charged at 100% of wages. Office overheads is charged at 25% on works cost and selling overhead at 10% on works cost.

### SECTION – B

ANSWER ANY FIVE QUESTIONS:

( 5 x 8 = 40 )

11) The following transactions occur in the purchase and issue of a material.

Jan	2	Purchased	4,000 units at Rs. 4.00 per unit
	20	Purchased	500 units at Rs. 5.00 per unit
Feb	5	Issued	2,000 units
	10	Purchased	6,000 units at Rs. 6.00 per unit
	12	Issued	4,000 units
Mar	2	Issued	1,000 units
	5	Issued	2,000 units
	15	Purchased	4,500 units at Rs. 5.50 per unit.
	20	Issued	3,000 units

Prepare stores ledger account using Weighted Average Method.

12) The accounts of ABC. Co. Ltd. show the following:

Material used	7,00,000
Direct labour	5,40,000
Works overhead	1,62,000
Establishment overhead	1,12,600

What price should the company quote to manufacture a machine which will require an expenditure of Rs. 1,000 in materials and Rs. 800 in wages so that it will yield a profit of 20% on selling price? Make necessary assumptions regarding percentages.

13) Two components X and Y are used as follows:

Minimum usage	:	50 units per week each.
Maximum usage	:	150 units per week each.
Normal usage	:	100 units per week each
Ordering quantities	:	X – 600 units Y – 1,000 units
Delivery period	:	X – 4 to 6 weeks Y – 2 to 4 weeks

Maximum reorder period for emergency purchases X : 2 weeks Y : 2 weeks. Calculate for each component:

- Reordering level
- Maximum level
- Minimum level
- Danger level

- 14) Ascertain the profit as per the financial books from the following information:

	Rs.
Profit as per cost accounts	25,000
Closing stock over valued in cost books	12,500
Preliminary expenses written off	3,000
Profit on sale of building	30,000
Administrative expenses over recovered in cost books	50,375
Works overhead under recovered in cost books	30,375
Bank interest and transfer fee in financial books	5,000
Interest on investment recorded in financial books	10,000
Depreciation shown in excess in cost books	4,000
Provision made for income tax	40,000

- 15) You are supplied with the following information and are required to work out the secondary distribution of service department overheads.

Total overhead as per primary distribution (Rs.)	Production departments			Service departments	
	A	B	C	P	Q
	7,810	12,543	4,547	4,000	2,600
Expenses of service departments P and Q are apportioned as under :					
	A	B	C	P	Q
P	30%	40%	20%	-	10%
Q	10%	20%	50%	20%	-

- 16) Sudeesh & Co. Ltd., furnishes its balance sheet for the years 1999 and 2000 and requests you to prepare a comparative balance sheet for those years.

#### Balance Sheet

Liabilities	2008 Rs.	2009 Rs.	Assets	2008 Rs.	2009 Rs.
Equity share capital	80,000	80,000	Land & Buildings	80,000	74,000
8% Debentures	80,000	90,000	Plant & Machinery	60,000	54,000
Retained Earnings	40,000	49,000	Furniture	20,000	28,000
Sundry Creditors	50,000	70,000	Inventory	40,000	60,000
Bills payable	10,000	15,000	Debtors	40,000	80,000
			Cash	20,000	8,000
	2,60,000	3,04,000		2,60,000	3,04,000

- 17) The following figures relate to the trading activities of a company for the year ended 31-12-1987.

Particulars	Rs.	Particulars	Rs.
Sales	1,00,000	Salary of salesman	1,800
Purchases	70,000	Advertising	700
Closing stock	14,000	Travelling expenses	500
Sales returns	4,000	Salaries (office)	3,000
Dividend received	1,200	Rent	6,000
Profit on sale of fixed assets	600	Stationery	200
Loss on sale of shares	300	Depreciation	1,000
Opening stock	11,000	Other expenses	2,000
		Provision for tax	7,000

You are required to calculate

- (i) Gross profit ratio
- (ii) Operating profit ratio
- (iii) Operating ratio
- (iv) Net profit ratio

#### SECTION – C

ANSWER ANY TWO QUESTIONS:

( 2 x 15 = 30 )

- 18) M/s. Indu Industries Ltd., are the manufactures of moonlight Torches. The following data relate to manufacture of torches during the month of March 1991.

Raw materials consumed	Rs. 20,000
Direct wages	Rs. 12,000
Machine hours worked	9,500 hours
Machine hour rate	Rs. 2
Office overheads	20% of works cost
Selling overheads	50 paise per unit
Units produced	20,000 units
Units sold	18,000 @ Rs. 5 per unit

Prepare Cost sheet showing the cost and the profit per unit and the total profit earned.

- 19) Draw a stores ledger card recording the following transactions under FIFO method.

2009 July	1	Opening stock 2,000 unit at Rs. 10 each
	5	Received 1,000 units at Rs. 11 each
	6	Issued 500 units
	10	Received 5,000 units at Rs.12 each
	12	Received back 50 units out of the issue made on 6 <sup>th</sup> July
	14	Issued 600 units
	18	Returned to supplier 100 units out of goods received on 5 <sup>th</sup>
	19	Received back 100 units out of the issue made on 14 <sup>th</sup> July
	20	Issued 150 units
	25	Received 500 units at Rs. 14 each
	28	Issued 300 units

The stock verification report reveals that there was a shortage of 10 units on 18<sup>th</sup> July and another shortage of 15 units on 26<sup>th</sup> July.

- 20) Modern Manufacturers Ltd., have three production departments P1, P2 and P3 and two service departments S1 and S2, the details pertaining to which are as under :

	P1	P2	P3	S1	S2
Direct wages Rs.	30,000	20,000	30,000	15,000	5,000
Working hours	3,070	4,475	2,419	-	-
Value of machine (Rs.)	6,00,000	80,000	10,00,000	50,000	50,000
H.P. of machine	60	30	50	10	-
Light points	100	15.	250	100	50
Floor space (Sq.feet)	20,000	25,000	30,000	20,000	5,000

The following figures extracted from the accounting records are relevant.

Rent Rs. 15,000 ; General Lighting Rs. 6,600; Indirect Wages Rs. 20,000; Power Rs. 15,000 Depreciation on Machines Rs. 1,00,000 and sundry expenses Rs. 10,000.

The expenses of service departments are allocated as under

	P1	P2	P3	S1	S2
S1	20%	30%	40%	---	10%
S2	40%	20%	30%	10%	---

Ascertain the overheads of production department P1, P2, P3.

- 21) S.V.Ltd., has furnished you the following information from the financial books for the year ended 31<sup>st</sup> March 1996.

#### Profit and Loss Account for the year ended 31<sup>st</sup> March 1996

Particulars	Rs.	Particulars	Rs.
To Opening stock (500 units)	17,500	By Sales (10,250 units)	7,17,500
To Materials	2,60,000	By closing Stock	12,500
To Wages	1,50,000	(250 units)	
To Gross profit c/d	3,02,500		
	7,30,000		7,30,000
To Factory expenses	94,750	By Gross Profit b/d	3,02,500
To Administration expenses	1,06,000	By Interest received	250
To Selling expenses	55,000	By Rent received	10,000
To Bad debts	4,000		
To Preliminary expenses	5,000		
To Net Profit c/d	48,000		
	3,12,750		3,12,750

The cost sheet shows the cost of materials at Rs.26 per unit and the labour cost as Rs.15 per unit, Factory overheads are absorbed at 60% of labour cost and administration overheads at 20% of works cost. Selling expenses are charged at Rs. 6 per unit. The opening stock of finished goods is valued at Rs.45 per unit.

You are required to prepare:

- 1) A statement showing cost and profit as per cost accounts:
- 2) A statement showing the reconciliation of profit disclosed in cost accounts with the profit shown in financial accounts.

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