

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

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

B.Com. DEGREE EXAMINATION APRIL 2009
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. Define 'Cost Centre'.
2. What is JIT?
3. What is normal idle time? How do you treat it?
4. What is 'under – absorption' of overhead?
5. Define 'MIS'.
6. Calculate the Raw material consumed from the following details:

Raw materials purchased	Rs.80,000
Sale of material scrap	Rs.1,000
Opening stock of Raw materials	Rs.12,000
Closing stock of Raw materials	Rs.21,000
7. You are required to compute the economic ordering quantity. [EOQ].

Consumption of Material per annum	Rs.8,000
Ordering Costs per order	Rs.25
Storage and carrying cost per annum	10% of inventory value.
8. The works overheads of a department are Rs.3,00,000
The direct wages are Rs.3,00,000
The direct material cost is 9,00,000
Ascertain the percentage of works overhead on prime cost.
9. From the following figures calculate the Creditors' Turnover Ratio and the payment period.

Credit Purchase during 1998	Rs.1,00,000
Creditors on 1.1.1998	Rs.20,000
Creditors on 31.12.1998	Rs.10,000
Bills payable on 1.1.1998	Rs.4,000
Bills payable on 31.12.1998	Rs.6,000

10. How do you deal with the following in a Comparative Balance sheet?
 Fixed Assets on 31.3.2006 – Rs.40,00,000
 on 31.3.2007 – Rs.50,00,000
 Current Assets on 31.3.2006 – Rs.10,00,000
 on 31.3.2007 – Rs.9,00,000
 Share capital on 31.3.2006 – Rs.5,00,000
 on 31.3.2007 – Rs.6,00,000

SECTION – B

ANSWER ANY FIVE QUESTIONS:

(5 x 8 = 40)

11. You are required to compile a statement showing cost and profit from the information given, showing clearly : (a) Material consumed (b) Prime Cost (c) Works Cost (d) Cost of Production (e) Cost of Sales (f) Profit and (g) Sales.

	Rs.
Materials purchased	2,00,000
Wages	1,00,000
Direct expenses	20,000
Opening stock of materials	40,000
Closing stock of materials	60,000

Factory overhead is absorbed at 20% of wages. Administration overhead is 25% on the works cost. Selling and distribution overheads are 20% on the cost of production. Profit is 20% on sales.

12. The Cost Books, showed a net profit of Rs.86,200 for the period 31.3.01. A scrutiny of the figures from both the sets of accounts revealed the following facts.

	Rs.
Works overhead under-recovered in costs	1,560
Administrative overheads over-recovered in costs	850
Depreciation charged in financial accounts	5,600
Depreciation recovered in costs	6,250
Interest on investments not included in costs	4,000
Loss due to obsolescence charged in financial accounts	2,850
Income-tax provided in financial accounts	20,150
Bank interest and transfer fee credited in financial books	375
Stores adjustment (credit) in financial books	237
Value of opening stock in : cost accounts	24,800
: financial accounts	26,300
Value of closing stock in : cost accounts	25,000
: financial accounts	23,000
Interest charged in cost accounts	2,000
Goodwill written off	5,000
Loss on sale of furniture	600

Prepare a statement showing the reconciliation and ascertain the net profit as shown in the financial Books.

13. Compute the various stock levels from the following data:
 Maximum consumption in a month - 300 units
 Minimum usage in a month - 200 units
 Average usage in a month - 225 units
 Time-lag for procurement of materials:
 Maximum 6 months
 Minimum 2 months
 Reorder quantity 750 units.
14. From the particulars given below, prepare Labour cost per man-day of 8 hours
 a) Basic salary Rs. 2 per day
 b) Dearness allowance 25 paise per every point over 100 cost of living index for working class. Current cost of living index is 700 points.
 c) Leave salary 10% of (a) and (b)
 d) Employer's contribution to provident fund 8% of (a), (b) and (c)
 e) Employer's contribution to State Insurance 2.5% of (a), (b) and (c)
 f) Expenditure on amenities to Labour Rs.20 per head per month
 g) Number of working days in a month 25 days of 8 hours each.
15. From the following information show the results of operations of a manufacturing concern using trend percentages with 1987 as base year.
- | | (Amount in '000s) | | | |
|------------------------|-------------------|-------|------|-------|
| | 1990 | 1989 | 1988 | 1987 |
| | Rs. | Rs. | Rs. | Rs. |
| Sales | 1,300 | 1,200 | 950 | 1,000 |
| Cost of Goods sold | 728 | 696 | 589 | 600 |
| Gross profit | 572 | 504 | 361 | 400 |
| Total Selling Expenses | 120 | 110 | 97 | 100 |
| Net operation profits | 452 | 394 | 264 | 300 |
16. From the following particulars compute the hourly rate of Machine installed in a shop.
- | | |
|--|-------------------|
| | Rs. |
| Cost of the machine | 20,000 |
| Estimated scrap value, after expiry of its life 10 years | 4,000 |
| Rent and Rates of the shop per quarter | 2400 |
| General lighting for the shop | 40 p.m. |
| Shop Supervisor's salary | 400 p.m. |
| Insurance premium for the machine | 10 p.m. |
| Estimated repairs and maintenance expenses | 200 per year |
| Power consumption of the machine | 2 units per hour |
| Rate of Power | 100 units – Rs.10 |
| Estimated working hours of the machine per year | 2,000 |
- The Machine occupies $\frac{1}{4}$ th of the total area of the shop. The supervisor of the shop devotes $\frac{1}{5}$ th of his time for supervising the machine. General lighting expenses are to be apportioned on the basis of floor area. ..4

17. Balance sheet of Rama Ltd. As at 31.12.1993 is as follows.

Liabilities	Rs.	Assets	Rs.
Equity capital	2,00,000	Fixed assets	3,60,000
9% pref. Share capital	1,00,000	Stock	50,000
8% Debentures	1,00,000	Debtors	1,10,000
Profit and loss a/c	40,000	Bills receivable	6,000
Creditors	90,000	Bank balance	4,000
	<u>5,30,000</u>		<u>5,30,000</u>

Find our (i) Fixed assets ratio and (ii) Capital gearing ratio.

- i) Current Asset Ratio
ii) Quick Ratio

SECTION – C

ANSWER ANY TWO QUESTIONS:

(2 x 15 = 30)

18. From the following data prepare a cost and profit statement of popular Stoves Manufacturing Co. for the year 2008:

	Rs.		Rs.
Stock of materials on 1.1.2008	35,000	Establishment expenses	10,000
Stock of materials on 31.12.2008	4,900	Completed stock in hand On 1.12.2008	NIL
Purchase of materials	52,500	Completed stock in hand on 31.12.2008	35,000
Direct wages	95,000	Sales	1,89,000
Factory expenses	17,500		

The number of stoves manufactured during the year 2001 was 4000.

The company wants to quote for a contract for the supply of 1,000 Electric Stoves during the year 2009. The stoves to be quoted are of uniform quality and make similar to those manufactured in the previous year, but cost of materials has increased by 15% and cost of factory labour by 10%.

Prepare a statement showing the price to be quoted to give the same percentage of net profit on turnover and was realized during the year 2008, assuming that the cost per unit of overheads will be the same as in the previous year.

19. Modern Manufacturers Ltd., have three Production Departments P₁, P₂, P₃ and two Service Departments S₁ and S₂ the details pertaining to which are as under;

	P ₁	P ₂	P ₃	S ₁	S ₂
Direct wages (Rs.)	3,000	2,000	3,000	1,500	195
Working Hours	3,070	4,475	2,419	---	---
Value of Machines (Rs)	60,000	80,000	1,00,000	5,000	5,000
H.P. of Machines	60	30	50	10	---
Light points	10	15	20	10	5
Floor space (sq.ft)	2,000	2,500	3,000	2,000	500

The following figures extracted from the accounting records are relevant:
 Rent and Rates Rs.5,000, General lighting Rs.600, Indirect wages Rs.1,939,
 Power Rs.1,500, Depreciation on Machines Rs.10,000 and Sundries Rs.9,695.
 The expenses of the service Departments are allocated as under

	P ₁	P ₂	P ₃	S ₁	S ₂
S ₁	20%	30%	40%	--	10%
S ₂	40%	20%	30%	10%	---

Compute the overhead cost of the production Department and Ascertain the overhead rate per hour.

20. D & Co. Ltd. furnishes the following Balance Sheets for the years 2006 and 2007. Prepare common size Balance Sheets.

Liabilities	2006 Rs.	2007 Rs.	Assets	2006 Rs.	2007 Rs.
Share capital	2,00,000	3,00,000	Buildings	4,00,000	4,00,000
Reserves	6,00,000	7,00,000	Machinery	6,00,000	10,00,000
10% Debentures	2,00,000	3,00,000	Stock	2,00,000	3,00,000
Creditors	3,00,000	5,00,000	Debtors	2,00,000	2,50,000
Bills payable	1,00,000	80,000	Cash at Bank	1,00,000	50,000
Tax payable	1,00,000	1,20,000			
	15,00,000	20,00,000		15,00,000	20,00,000

21. From the following details of stores receipts and issues of material "EXE" in a manufacturing unit, prepare the Stock Ledger using FIFO of valuing the issues.
- Nov. 1 Opening stock 2,000 units @ Rs.5.00 each
 " 3 Issued 1,500 unit to production.
 " 4 Received 4,500 units @ Rs.6.00 each.
 " 8 Issued 1,600 units to production.
 " 9 Returned to stores 100 units by Production Department (from the issue of Nov.3).
 " 16 Received 2,400 units @ Rs.6.50 each.
 " 19 Returned to supplier 200 units out of the quantity received on Nov.4.
 20 Received 1,000 units @ Rs.7.00 each.
 " 24 Issued to Production 2,100 units.
 " 27 Received 1,200 units @ Rs.7.50 each.
 " 29 Issued to production 2,800 units.
 " 29 Shortage 10 units.
