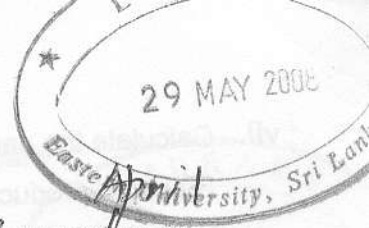


EASTERN UNIVERSITY SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
DEPARTMENT OF COMMERCE

THIRD YEAR SECOND SEMESTER EXAMINATION IN SCIENCE 2007/2008 (MARCH 2008)

OC - 301 COST ACCOUNTING



Time: 2.00 hrs

Calculators are permitted

Answer All Questions

01.

- i. Define cost accounting? Explain the objectives of cost accounting. (04 marks)
- ii. What do you understand by the term cost unit? Explain with examples. (03 marks)
- iii. What are the elements of cost? Explain with relevant examples. (03 marks)
- iv. The following information is available in respect of material no: 145.

Re order quantity	-	2000 units
Re order period	-	6 to 8 weeks
Maximum consumption	-	500 units per week
Normal consumption	-	400 units per week
Minimum consumption	-	200 units per week

Calculate;

- a) Re order level
- b) Minimum level
- c) Maximum level

(06 marks)

- v. a) What do you understand by carrying cost and ordering cost? (03 marks)

- b) The following information regarding material X in Ram industries.

Annual consumption of material	-	5000 kg
Cost of placing an order	-	Rs. 100
Purchase price	-	Rs. 250
Storage and carriage cost	-	10% of average inventory

Calculate EOQ?

(04 marks)

- vi. From the following information prepare store ledger account using FIFO method for the month of January 2008 for the material W.

Date		
01-01-2008	Opening balance	500 units @ Rs. 10 each
06-01-2008	Purchased	300 units @ Rs. 12 each
10-01-2008	Purchased	200 units @ Rs. 15 each
16-01-2008	Issued	400 units
23-01-2008	Issued	350 units
28-01-2008	Purchased	250 units @ Rs. 18 each
05-02-2008	Issued	200 units

(05 marks)

vii. Calculate the earning of A and B under piece rate basis from the following information.

Standard production	-	10 units per hour
Working hours per day	-	8 hours
Normal time rate	-	Rs. 20 per hour

Differential piece rate is applicable as follows;

Below the standard production: 80% of piece rate

Above the standard production: 120% of piece rate

Particular day Mr. A and Mr. B produced 70 units and 85 units respectively.

(05 marks)

viii. You are given the following data:

Fixed cost	-	Rs. 45000
Variable cost	-	Rs. 5 per unit
Selling price	-	Rs. 20 per unit

Calculate:

- Break even point in units and rupees
- Sales when desired to earn profit of Rs. 30000
- Margin of safety when budgeted sales Rs. 110000
- Because of increasing costs, the variable cost is expected to rise by 25% and fixed cost to 60,000 p.a. If the selling price can not be increased what will be the number of units required to maintain a profit of Rs. 30,000 p.a?

(07 marks)

ix. A transport service is running 2 buses between two places 50 km apart. Seating capacity of each bus is 50 passengers. The following particulars were obtained from the books of January 2008.

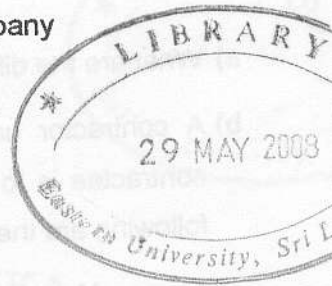
Administrative expenses	Rs. 20000
Insurance	Rs. 10500
Rent	Rs. 5000
Driver wage for the month	Rs. 10000
Cost of fuel for the month	Rs. 10000
Repairs and maintenance	Rs. 2000

Actual passenger carried were 80% of seating capacity. Each bus makes one round trip per day. And all the buses run 20 days of month. Calculate total passenger-km for the month and cost per passenger-km.

(05 marks)

x. The following particulars are extracted from the records of a company

	Product A	Product B
Sale (Per Unit)	Rs.100	Rs.120
variable cost	Rs.50	Rs.60
Fixed Overhead Expenses	Rs.5	Rs.10
Consumption of material	2 kgs	3 kgs



Assuming raw material is the key factor, availability of which is limited to 10,000 kgs and maximum sale potentials of each product being 3,500 units. Find the product mix which yields the maximum profit. (05 marks)

(Total marks: 50)

02.

i. What is the meaning of overhead? (03 marks)

ii. Rana Ltd is a manufacturing company having three production departments A, B and C and two service departments X and Y. The following expenses for month of December 2007.

Detail	Total	Departments				
		A	B	C	X	Y
Direct material	Rs.10000	1000	2000	4000	2000	1000
Direct wages	Rs.18000	5000	2000	8000	1000	2000
Rent	Rs.4000					
Power	Rs.2500					
Depreciation	Rs.1000					
Other overheads	Rs.9000					

The following information also available

Detail	A	B	C	X	Y
Area (Sq.ft)	500	250	500	250	500
Capital value of asset (Rs.)	200000	400000	200000	100000	100000
Machine Hours	1000	2000	4000	1000	1000
Horse power of machine	50	40	20	15	15

The apportionment of expenses of service departments is as under.

Department	A	B	C	X	Y
X	45%	15%	30%	-	10%
Y	60%	35%	-	5%	-

You are required:

- A statement showing distribution of overheads to various departments
- Assume that production of an article has to pass through department A, B and C for 5, 6, and 4 hours respectively, and its raw material cost is Rs.175 and labour cost is Rs. 95. Calculate total cost for producing the article. (22 marks)

(Total marks: 25)

03.

a) What are the differences between Contract costing and Job costing? (12 marks)

b) A contractor undertook a contract of Rs. 500000 on 1st of January 2007. The contractee is to make payment for 80% of the work certified by the Engineer. The following are the details as shown in the books on 31st December, 2007.

Material sent to site from stores	Rs. 30200
Labour engaged	Rs. 135000
Direct Expenses	Rs. 42000
Plant installed at site	Rs. 40000
General Expenses	Rs. 32000
Wages accrued on 31/12/2007	Rs. 12000
Material return to stores	Rs. 15000
Material at site on 31/12/2007	Rs. 13000
Plant at side on 31/12/2007	Rs. 7500
Material sold (Costing Rs. 8,000)	Rs. 9,000
Material destroyed by fire	Rs. 8000
Work not certified	Rs. 75000
Work certified by Engineer	Rs. 260000
Cash received from contractee	Rs. 208000

You are required to prepare contract account for the year ended 31st December 2007.

c) CRP industries manufacture product "X" which passes through two different processes (10 Marks)

A, and B. The normal wastage of each process is as follows.

Process A	-	3%
Process B	-	5%

Loss of process A was sold at 25 cents per unit, and that of process B at 50 cents per unit. In the beginning of January, 10000 units were issued to process A at a cost of Rs. 1 per unit. The other expenses were as follows:

Process	A	B
Material	1000	1500
Labour	5000	8000
Direct Expenses	1050	1188
Actual output	9500	9100

Prepare the process cost accounts and abnormal loss/gain accounts assuming there was no opening or closing stock.

(13 Marks)

(Total marks: 25)