

Mid-West University  
**Examinations Management Office**  
Surkhet, Nepal  
End-Semester Examination-2080  
Bachelor of Business Studies (BBS)  
Semester - I

Subject: Cost Accounting

Course Code: MGMT414/314

Full Marks: 60 Pass Marks: 30

Time: 3:00 Hours

*You are required to answer in your own words as far as applicable. Figures in the margins indicate full marks.*

**SECTION A: VERY SHORT ANSWER QUESTIONS (10 X 1 = 10 MARKS)**

Answer **ALL** the questions.

1. Write any four objectives of cost accounting.
2. Find out the fixed cost for 15,000 units if variable cost per unit is Rs.6 and total cost is Rs. 1,70,000.
3. The following information is given to you:  
Re-order period = 20 to 30 days  
Consumption per day = 600 to 800 units.  
Re-order quantity = 6,000 units  
Required: maximum stock level
4. Mention the reasons for holding inventory in business institutions.
5. Clarify the meaning of labour cost control.
6. List out any two differences between time rate system and piece rate system of wages payment.
7. What do you mean by overheads distribution?
8. You are given the following information:  
Depreciation on machinery Rs. 60,000  
Rent Rs. 40,000  
Power Rs. 45,000  
Repair and maintenance cost Rs.15, 000.  
Total machine hour 20,000 hours.  
Required: Overhead rate per machine hour.
9. Write any four features of process costing.
10. Give the meaning of main product and by-product.

**SECTION B: SHORT ANSWER QUESTIONS (3 X 8 = 24 MARKS)**

Answer any **THREE** questions.

11. Give the meaning of cost accounting. Mention its importance and advantages. [2+6]
12. What are the features of job order costing? Explain its merits and demerits. [2+6]
13. ABC Company's annual requirement of wheat is 40,000 kg, the cost of placing an order is Rs.400 and carrying cost is 10% of inventory cost. The cost of inventory per kg is Rs.20.  
**Required:**
  - a. Economic order quantity. [2]
  - b. No. of order. [1]
  - c. Total cost at EOQ. [2]
  - d. Length of inventory cycle. [1]
  - e. If a manufacturing firm purchases its requirement of inventory at a time the supplier will provide 2% quantity discount whether the offer can be accepted or not. [2]
14. A worker completes a job in a certain number of hours. The standard time allowed for the job is 20 hours and hourly wages rate is Rs. 20. The worker earns Rs. 350 under Halsey Plan.  
**Required:**
  - a. Time saved by the worker [4]
  - b. Total wages under Rowan Premium plan. [2]
  - c. Effective wages rate under Halsey and Rowan Premium plan. [2]

15. A manufacturing company has four departments. A, B, and C are the production departments and x is the service department.

The overall overhead incurred by company are as follows:

Indirect wages Rs.12, 000	Depreciation Rs.25, 000
Power Rs.30, 000	Electricity Rs. 8,000
Rent Rs.30, 000	Canteen expenses Rs. 4,000

The following other information is available for four departments:

Departments	A	B	C	X
Direct material (Rs.)	40,000	40,000	30,000	10,000
Direct wages (Rs.)	20,000	20,000	15,000	5,000
Area in sq. ft.	5,000	4,000	4,000	2,000
Light points	10	8	8	6
Value of machine	1,00,000	60,000	60,000	30,000
Horse power ratio	5	4	4	2
No. of employee	60	60	50	30

Service rendered by the service department to production departments A, B and C in the ratio of 2:2:1.

**Required:** Apportion the overhead costs to the various departments according to the most equitable basis.[8]

### SECTION C: LONG ANSWER QUESTIONS (2 X 13 = 26 MARKS)

Answer any **TWO** questions.

16. Define labour turnover. Explain its causes and remedial measures which minimize labour turnover rate. [2+7+4]

17. (a) The following data are regarding the production units and costs of a company:

Production units	Total cost in Rs.
6,000	105,000
11,000	1,80,000

Required: By using high low point method:

Variable cost per unit, amount of fixed cost, total cost for production of 9,000 units and production units when the total cost is Rs. 3,15,000. [2+2+2+2]

- (b) From the following receipts and issues of materials, prepare store ledger under FIFO method: [5]

January 1: Opening stock 900 units @ Rs.5 per unit

January 2: Issued 500 units

January 5: purchased 1200 units @ Rs. 6 per unit

January 10: Issued 1000 units

January 20: Return from work order 100 units

January 21: Received from vendor 800 units @ Rs. 8 per unit

January 25: Return to vendor 50 units

January 30: Shortage of 40 units.

18. A product requires the two processes in its manufacture. The details obtained during the month are:

Details	Process A (Rs.)	Process B (Rs.)	Finished product (Rs.)
Opening stock	2,000	5,000	10,000
Direct material	9,000	15,000	-
Direct labour	5,000	12,000	-
Direct expenses	4,000	8,000	-
Manufacturing overhead	4,000	7,000	-
Closing stock on prime cost	4,000	8,000	15,000
Inter process profit on opening Stock	-	1,000	4,000
Profit on cost price (%)	25	25	-
Sales	-	-	1,00,000

**Required:** Process accounts, finished stock account and the value of actual realized profit. [4+4+3+2]

**THE END**