

MID-WESTERN UNIVERSITY
EXAMINATIONS MANAGEMENT OFFICE
FINAL EXAMINATION: 2019
BACHELOR OF BUSINESS STUDIES (BBS)
SEMESTER-I

Subject: Cost Accounting Course Code: MGMT 314
FM: 60 Time: 3 Hours

Candidates are required to answer the questions in their own words as far as practicable.

GROUP A: VERY SHORT ANSWER QUESTIONS (10X1=10 MARKS)

Attempt **ALL** questions.

- Q1. State any two objectives of cost accounting.
Q2. You are given the following information related to Karnali Water Company

Output (units)	Cost (Rs.)
500	5,000
1,000	8,000

Required: Variable cost per unit

- Q3. Following information are given to you:

- Re-order period =4-6 days
- Consumption per day= 400-600 units
- Reorder level =3,600 units
- Reorder quantity =4,000 units

Required: Maximum stock level

- Q4. Give any four examples of fringe benefits.
Q5. List out any four methods of costing.
Q6. What is job order costing?
Q7. What is meant by process costing?
Q8. You are given the following information:

Depreciation on machinery	Rs.50,000.
Supervision cost	Rs.30,000.
Repair and maintenance cost	Rs.50,000.
Indirect material cost	Rs.60,000.
Indirect labor cost	Rs.30,000.
Total direct labor hour	20,000 hours

Required: Overhead rate per direct labor hour

- Q9. List out any two differences between time rate system and piece rate system.
Q10. Differentiate between cost control and cost reduction.

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

Attempt any **THREE** questions.

- Q11. A manufacturing company purchase 2,000 units of a particular item per year at Rs.20 per unit, the ordering cost per order is Rs.50 and the inventory carrying cost 25 percent of on inventory value.

- Required:** a) The optimal order quantity [2]
b) Length of inventory cycle [2]
c) Should the company accept an offer of a discount of 3 percent at the purchase of 1,000 items at a time? [4]

- Q12. What is meant by inventory management? Explain the reasons of holding inventory. [3+5]

- Q13. From the following receipts and issues of materials, prepare store ledger under LIFO method: [8]

Baisakh 1: Opening stock 1000 units @ Rs 5 per unit

Baisakh 2: Issued 500 units

Baisakh 4: Purchased 1400 units @ Rs 6 per unit

Baisakh 7: Issued 1000 units

Baisakh 12: Return from work order 100 units

Baisakh 25: Received from vendor 700 units @ Rs 8 per unit

Baisakh 29: Return to vendor 50 units

Baisakh 30: Shortage of 30 units

- Q14. Dailekh Hydro Power Ltd. having following production department and service department provides you the information as follows:

Particulars	Production department		Service department
	A	B	S
Space occupied in sq.ft	400	600	200
Machine operation hours	2,000	3,000	1,000
No. of employees	40	30	10
Depreciation per year	10%	15%	10%
Light points	8	6	2
Value of machine Rs.	1,00,000	1,50,000	50,000
Labor hour worked	1,800	1,200	-

The following expenses were incurred for all departments.

Welfare and canteen expenses Rs.20,000

Rent and rates Rs.30,000

Power cost for the machine Rs.42,000

Lighting and heating Rs.10,000

The service has provided service to production department A and B in the percentage of 60% and 40% respectively.

Required: a) Statements showing apportionment of overheads. [5]

b) Overheads per labor hour after apportioning the cost of service department [3]

- Q15. Write the meaning of joint products and by products. Differentiate between joint product, main product and by-product. [3+5]

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

Attempt any **TWO** Questions.

- Q16. What is labour cost? Explain the features of good wages system in the context of Nepal. And also explain any two incentive payment system on the basis of individual premium plan. [2+6+5]

Q17. a) Following information supplied to you:

Standard time allowed for the job	100 hours
Guaranteed wages per hour	Rs.200
Wages rate per hour under Rowan premium plan	Rs.240

- Required:** i) Actual time taken by the worker. [4]
 ii) Actual remuneration earned by the worker under Halsey premium plan. [2]

b) The following information are given to you:

Daily consumption 500kg with plus minus deviation of 200 kg per day
 Normal lead-time 7 days with plus and minus deviation of 3 days
 Economic order quantity 4,000 kg
 Maximum re-ordering period for emergency purchase 15 days

Required:

- a) Re-order level [2]
 b) Maximum stock level [2]
 c) Minimum stock level [2]
 d) Average stock level [1]

Q18. A product passes through three processes i. e., X, Y and Z. The details of expenses incurred on these during 2075 were as under:

Items	Process		
	X	Y	Z
Units issued.....	1,000	-	-
Cost per unit (Rs.).....	50	-	-
Sundry materials (Rs.).....	1,000	1,500	500
Labour (Rs.).....	2,600	8,000	6,392
Direct Expenses (Rs.).....	600	1,815	2,720
Sales price of output (per unit).....	70	100	200

Actual output of the three processes was 930 units of X, 540 units of Y and 210 units of Z.

Two-third of output of Process X and one-half of the output of Process Y was passed on to the next process and the balance was sold. Entire output of Z was also sold.

Normal loss of the three processes, calculated on the input of every process was: Process X 5%, Process Y 15%, Process Z 20%

Process loss of X was sold at Re. 1 per unit, that of process Y at Rs.3 per unit and that of process Z at Rs. 6 per unit. Selling and establishment expenses are Rs.5,000 and Rs. 4,000 respectively.

Required: Prepare necessary ledger accounts and income statement when sales value is included in process account. [13]

