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T.Y.B.Com Semester V (CBCS) Ordinance
EXAMINATION MAY 2023
Cost & Management Accounting Major I : Cost Accounting I

[Time: 2 Hours]

[Max. Marks:80]

Instructions: 1) Question number One is compulsory.

2) All questions carry equal marks and figures to the right indicate maximum marks allotted to Questions/sub questions.

3) Answer any Three Questions from Question No. 2 to Question No. 6.

- Q1 Santa Fe Grill Limited from Kundai Industrial Estate, Manufactures Steel Cupboards as one of its products. They use two types of materials namely, Fiber steel and Hard steel for this product. The weekly data with regards to the stock is made available to you as under. (20 marks)

Particulars	Fiber steel	Hard steel
Normal usage (in units)	120	180
Minimum usage (in units)	180	200
Maximum usage (in units)	60	60
Reorder quantity (in units)	800	1000
Reorder period (in weeks)	2 to 4	4 to 6

Calculate for Fiber steel and Hard steel used above, the following stock levels.

- 1) Reorder stock level
- 2) Minimum stock level
- 3) Maximum stock level
- 4) Average stock level

- Q2 a) A quotation received from a supplier provides the following details. (10 marks)

The Lot Price for less than 3000 units is Rs. 7/- Per Unit.

The Lot Price for 5000 upto 10000 units is Rs. 6.50/- Per Unit.

The Lot Price for more than 10000 units is Rs. 6/- Per Unit.

Transportation charges per order are Rs. 2560/- and Stores charges are Rs.1400/- per order.

Trade Discount is 20%. Cash Discount is 5% if payment is made within 15 days of the purchase.

A single container is required for every 1000 units of the material.

Containers are charged at Rs. 250/- each. If the containers are returned within two months of purchases, a refund of Rs. 100/- is given to the client.

Calculate the material cost for 9000/- units of material ordered by a manufacturing company. Assume that the containers are returned after a month from the date of purchase of this material and all the payments are settled before 15 days. Also calculate per unit cost of material.

- b) Explain the centralized material purchase system. What are the merits and demerits associated with the Centralized material purchase system? **(10 marks)**

- Q3 Following are the receipts and issues of stock of Tomatoes in a sauce making unit of 'Full Bloom company ltd. during the month of October, 2019. You are required to prepare stores ledger using simple average and weighted average method. **(20 marks)**

October 1st Opening balance of stock, 1200 KG @ Rs. 150/- per KG.

October 6th Issued stock, 1020 KG.

October 15th Purchased stock, 1250 KG @ Rs. 180/- per KG.

October 19th Issued stock, 1120 KG.

October 21st Purchased stock, 1500 KG @ Rs. 170/- per KG.

October 25th Issued stock, 850 KG.

October 30th Issued stock, 400 KG.

October 31st Purchased stock, 1180 KG @ Rs. 175/- per KG.

- Q4 A. Explain the procedure of installation of cost accounting system and the difficulties associated with it. **(10 marks)**

B. Explain the classifications of cost based on:

1. Elements of cost

2. Change in volume of production

(2x5=10)

- Q5 A. The following transactions took place in regards to the material used to manufacture the metallic balls during the month of September, 2019. **(10 marks)**

Using the highest in first out method, prepare the stock register for this material.

September 1, 2019 - opening balance, 500 tons @ 12/- per ton.

September 4, 2019 - purchased 400 tons @ 14/ per ton.

September 5, 2019-issued 550 tons.

September 10, 2019 - purchased 500 tons @ 18/ per ton.

September 15, 2019 - issued 550 tons.

September 20, 2019 - purchased 300 tons @ 20/ per ton.

September 25, 2019 - purchased 400 tons @ 22/ per ton.

September 30, 2019-issued 650 tons.

B. Calculate the EOQ from the below given details with regards to two different materials used by Astra Limited.

(10 marks)

Particulars	Material 'Class A'	Material 'Class B'
Quarterly consumption (in units)	75000	80000
Purchase Price (in rupees)	5/-	6/-
Ordering cost per order (in rupees)	20/-	22/-
Carrying cost of inventory	20% of cost	25% of cost

Q6 Write short notes on Any Four from the below given.

(4x5=20)

- 1) Difference between cost accounting and financial accounting
- 2) Decentralized purchase system
- 3) Codification of material
- 4) Standard price method of pricing
- 5) Need for control of materials
- 6) Periodic inventory control system