EASTERN UNIVERSITY SRI LANKA

FACULTY OF SCIENCE

THIRD YEAR SECOND SEMESTER EXAMINATION IN SCIENCE 2008/2009 (OCTOBER 2010)

OC 301: COST ACCOUNTING

Calculators are Permitted **Time: 2.00 hrs**

Answer All Question

01.

i. Briefly describe the role of Cost Accounting in manufacturing organizations? **(04 Marks)**

ii. In what manner does Cost Accounting differ from Financial Accounting? **(04 Marks)**

iii. Illustrate the characteristics of fixed cost, variable cost and semi variable cost.

(03 Marks)

iv. Classify each of the following as being usually fixed cost, variable cost and semi variable cost.

a. Direct Labour
b. Depreciation of machinery
c. Factory rental
d. Maintenance of machinery
e. Factory managers salary
f. Royalty payments

(03 Marks)

v. Sam Co. uses two types of material X and Y for production of product L. The following information is given to you.

	Materials	
	X	Y
Normal usage in units	200	150
Minimum usage in units	100	100
Maximum usage in units	300	250
Reorder quantity in units	750	900
Re-order period (months)	2 to 3	3 to 4

Calculate for each material Reorder level, Minimum level, Maximum level and Average stock level. **(07 Marks)**

vi. The following transitions occur in the purchase and issue of a material: Prepare store ledger accounts using LIFO method.

02 January	Purchased	4000 units @ Rs. 4.00 per unit
20 January	Purchased	500 units @ Rs. 5.00 per unit
05 February	Issued	2000 units
10 February	Purchased	6000 units @ Rs. 6.00 per unit
12 February	Issued	4000 units
15 March	Purchased	5500 units @ Rs. 5.50 per unit
20 March	Issued	8000 units

(07 Marks)

vii. Indian Chemicals Ltd invited tenders and has received two quotations:

a. X. Ltd in Kandy Rs.3.60 per unit

b. Y Ltd in Colombo Rs.3.30 per unit plus Rs.3000 fixed charges to be added irrespective the units ordered.

Advise with whom should order be placed if ordering quantity is

a. 25000 units b. 9000 units (07 Marks)

(Total: 35 Marks)

02.

i. Mahendra Industries have three productions departments (A, B and C) and two service departments (D and E). The following figures were extracted from the records of the company.

	Rs.
Indirect Material	15000
Indirect Wages	10000
Depreciation of machinery	25000
Depreciation of building	5000
Rent and Rates	10000
Electric power for machinery	15000
Electric power for lighting	500
General expenses	15000

Items	Total	A	B	C	D	E
Direct materials Rs.	60000	20000	10000	19000	6000	5000
Direct wages	40000	15000	15000	4000	2000	4000
Value of machinery	250000	60000	100000	40000	25000	25000
Floor area (Sq.ft)	50000	15000	10000	10000	5000	10000
H.P of machines	150	50	60	30	5	5
No. of light points	50	15	10	10	5	10
Labour hours	15000	5000	5000	2000	1000	2000

The expenses of service departments D and E are to be apportioned as follows.

Items	A	B	C	D	E
D	40%	20%	30%	-	10%
E	30%	30%	20%	20%	-

Required:

a. Compute the overhead rates of production departments.

b. Determine total cost of product with the material cost of Rs.300 and direct labour cost of Rs.155 which would consume 10 hours, 07 hours and 05 hours in department A, B, and C respectively. (25 Marks)

ii. Square Max Ltd undertakes a contract for Rs.400000. Work commenced on 1st January, 2009 with the following expenditure.

	Rs.
Stores and materials	72000
Wages	65000
Plant and tools	20000
Sundry expenses	5300
Establishment charges	11700
On 31st December	
value of plant and tools	6200
value of stores and materials	3400
cost of uncertified work	21900
Amount of cash received (being 80% of work certified)	140000

Certain materials costing Rs.12000 were unsuited to the contract and were sold for Rs. 14500. A portion of the plant was scrapped and sold for Rs.2300.

Required:

Prepare contract account for the Year of 2009 and show how much of profit to be transferred to profit and loss account. **(10 Marks)**

(Total: 35 Marks)

03.

i. Sea Food Ltd produces a Food Product which passes through three distinct processes to completion. From the past experience it is ascertained that wastage is incurred in each process as under.

Process A – 2%

Process B – 8%

Process C – 10%

The wastage of process A and B is sold at Rs.10 per units and that of processes C at Rs.8 per units.

20000 units have been issued to process A at a cost of Rs.20000. Following is the information regarding the production of August 2010.

	Process A	Process B	Process C
Materials (Rs.)	18000	8000	14000
Direct labour (Rs.)	16000	12000	16000
Machine expenses(Rs.)	5000	5060	7000
Other factory expenses (Rs.)	3800	3800	4360
output of each process (Rs.)	19500	18800	16000

There was no stock of work in progress in any process in the beginning and in the end of August 2010. **(20 Marks)**

ii. The Holiday Card Company, a producer of specialty cards, provide the following information for the month of March 2010:

Selling price per unit	Rs.6.60
Direct material cost per unit	Rs.1.28
Direct labor cost per unit	Rs.1.00
Variable manufacturing cost per unit	Rs.0.50
Variable non-manufacturing cost per unit	Rs.2.50
Total fixed costs	Rs.46200

Required:

a. Break even point expressed in units and sales (in rupees).

b. C/ S ratio.

c. Number of units that must be sold to earn a profit of Rs. 25000.

d. Because of increasing costs, the variable cost is expected to rise by 10% and fixed cost to 50000 p.a. If the selling price can not be increased what will be the number of units required to maintain a profit of Rs. 25000 p.a?

(10 Marks)

(Total: 30 Marks)