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Bachelor of Business Administration 6th Semester

(2042)

COST ANALYSIS AND CONTROL

Paper—BBA-327

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :— Attempt *four* short answer type questions from Section-A. Attempt *two* questions each from Section B and C respectively.

SECTION—A

1. Attempt the following (any *four*) :

- (a) Discuss break even analysis.
- (b) Define variable overheads.
- (c) What is zero base budgeting ?
- (d) From the following particulars, calculate minimum stock level :

Normal usage	—	100 units per day
Minimum usage	—	60 units per day
Maximum usage	—	130 units per day
Economic order quantity	—	5,000 units
Re-order period	—	25 to 30 days

- (e) How are normal and abnormal idle time treated in cost accounts ?
- (f) About 50 items are required every day for a machine. A fixed cost of Rs. 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Rs. 2 per day. Compute :
- (i) Economic order quantity, and
- (ii) Re-order level. $4 \times 5 = 20$

SECTION—B

2. Discuss in brief the various techniques of inventory control.
3. "Evolution of cost accounting is the outcome of deficiencies in financial accounting system." Discuss.
4. The standard time allowed for the job is 30 hours. The hourly rate of guaranteed wages is Rs. 15. Because of the saving in time, a worker X gets an hourly wage of Rs. 18 under Rowan Premium Bonus System. For the same saving in time calculate the hourly rate of wages a worker Y will get under Halsey Premium Bonus System.
5. A company manufactures 5000 units of a product per month. The cost of placing an order is Rs. 100. The purchase price of the raw material is Rs. 10 per kg. The Re-order period is 4 to 8 per week. The average consumption is 275 kgs. The carrying cost of inventory consumption is 20% per annum. You are required to calculate :
- (a) Economic order quantity
- (b) Re-order level
- (c) Maximum level
- (d) Minimum level
- (e) Average stock level. $2 \times 15 = 30$

SECTION—C

6. What do you understand by classification, allocation and apportionment in relation to overhead expenses ?
7. What is budgetary control ? State the main objectives of budgetary control. What are the main steps in budgetary control ?
8. The following data is obtained from the books of a manufacturing company regarding variable overheads :

Budgeted production for January	—300 units
Budgeted variable overhead	— Rs. 7,800
Standard time for one unit	20 hours
Actual production for January	250 units
Actual hours worked	4500 hours
Actual variable overhead	Rs. 7,000

Calculate the variance overhead.

9. A firm at present operates at 60% of its capacity. At this level and at the level of 50% utilisation of capacity, the figures relating to its operations could be summarised as stated below :

Particulars	50%	60%
Material	10,00,000	12,00,000
Labour	8,00,000	9,00,000
Manufacturing overheads	6,00,000	6,60,000
Administrative overheads	3,50,000	3,50,000

Particulars	50%	60%
Selling and distribution overheads	4,50,000	5,00,000
Research and development	1,50,000	2,00,000
Total	33,50,000	38,10,000
Profit	1,50,000	3,90,000
Sales	35,00,000	42,00,000

Draw up the budget at 80% utilisation of capacity assuming that :

- (i) Sales at this level can be maintained only by a 5% reduction in the selling price.
- (ii) Economy on purchase of material will be equal to 2.5% of the current amount.
- (iii) The research and development expenditure will be pegged at Rs. 2,50,000 per annum.
- (iv) Administrative overheads will be required 10% increase.

$$2 \times 15 = 30$$