

Cost & Management Accounting		CA R. K. Mehta
Test - 15		
Time Allowed : 1 hour 30 Min.		Total Marks: 50 Marks

Q.1: Explain Centralized and Decentralised purchasing of raw material. (5 Marks)

Q.2: Who are casual workers and out- workers in context of labour cost? Is any difference from accounting point of view? (5 Marks)

Q.3: A chemical producing factory uses ingredient P as the basic material at a cost of ₹ 30 per kg. Input-output ratio with material P is 125%. A sudden shortage of the material has taken place. The producer is considering use of the following substitute materials: -

Material	P ₁	P ₂	P ₃
Input output Ratio	150%	120%	140%
Material Price ₹/ Kg.	28	32	31

Recommend which of the above three substitutes is the best. By how much per unit of output material cost will increase if best substitute is used. (5 Marks)

Q.4: Standard time for a job is 50 hours and guaranteed hourly time wage is ₹ 15. The worker Garry receives an effective hourly rate of ₹ 20 under Rowan Premium Plan due to efficiency in performance. Another worker Larry has performed the similar job in the same time but he gets wages according to Halsey premium Plan. **Ascertain** total wages for Larry and his effective hourly rate. (5 Marks)

Q.5: The management of a company wants to formulate an incentive plan for the workers with a view to increase productivity. The following particulars have been extracted from the books of company.

Piece wage rate - ₹ 10	Hourly wages rate - ₹ 40 (guaranteed)
Weekly working hours - 40	Standard/normal time taken per unit - 15 minutes.

Actual output for a week: Worker A - 176 pieces and Worker B - 140 pieces.

Differential piece rate: 80% of piece rate even output below normal and 120% of piece rate when output above normal. Under Halsey scheme, worker gets a bonus equal to 50% of wages of time saved. **Calculate:**

(i) Earning of workers under Halsey's and Rowan's premium scheme.

(ii) Earning of workers under Taylor's differential piece rate system. (10 Marks)

Q.6: Mr. Arun commence manufacture of toy trains on 1st January, 2009. His trading account for the first year is as follows:

Particulars	Units	Amount (₹)	Amount (₹)
Sales	1,00,000		4,50,00,000
Less: Cost of Sales:			
Opening stock of raw materials		NIL	
Add: Purchases		4,50,00,000	
Less: Closing Stock		(45,00,000)	
Raw material consumed		4,05,00,000	
Add: Labor		1,44,00,000	
Add: Production overhead		72,00,000	
Cost of production	1,60,000	6,21,00,000	
Less: closing stock	(60,000)	(2,16,00,000)	(4,05,00,000)
Gross profit	1,00,000		45,00,000

Additional information:

- Stocks of both raw materials and finished goods have increased uniformly over the year;
- The raw materials content of finished goods is ₹ 225 per unit;
- Mr. Arun was ill during August 2009 when he received an order for 12,000 units which was held up by stock shortage and were subsequently cancelled. He had further orders for 8,000 units on his books at the year end.

[P.T.O]

(i) **Calculate** the following ratios:

- (1) Inventory turnover for raw material (2) Inventory turnover for finished goods;
(3) Input-output ratio for raw materials; (4) Stock-out ratio,

(ii) **Comment** briefly on the above ratios.

(10 Marks)

Q.7: Economic Enterprises require 90,000 units of a certain items annually. The cost per units is ₹ 3, the cost per purchase order ₹ 300 and the inventory carrying cost ₹ 6 per unit per year.

(i) What is the Economic Order Quantity?

(ii) What should the firm do if the supplier offers 2% discount on purchase level of 4500 units and 3% discount on purchase level of 6,000 units.

(10 Marks)