Test - 2

Time Allowed : 35 Minutes	TOPIC: EMPLOYEE COST	Total Marks :20 Marks

Q.1: Define idle time and its cost accounting treatment. **(5 Marks)**

Q.2: In a factory Ramand Sam produce the same product using the same input of same material and at the same normal wage rate. Bonus is paid to both of them as per Rowan Plan. The time allotted to the product is fifty hours. Ram takes thirty hours and Sam takes forty hours to produce the product. The Factory Cost of the product for Ram is ₹ 3,100 and for Sam ₹ 3,280. The Factory Overhead Rate is ₹12 per man hour. **Calculate (i)** Normal Wage Rate **(ii)** Cost of material used for the product and **(iii)** the input of material if the unit material cost is ₹ 16.

(5 Marks)

Q.3: The management of a company are worried about their increasing labour turnover in the factory and before analyzing the causes and taking remedial steps, they want to have an idea of the profit foregone as a result of labour turnover in the last year. Last year sale amounted ₹ 83,03,300 and variable cost was 80% of sales. The total number of actual hours worked by the Direct Labour Force was 4.45 lakhs.

As a result of the delay by the Personnel Department in filling vacancies due to labour turnover, 1,00,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of which half of the hours were unproductive. The costs incurred consequent on labour turnover revealed on analysis the following: -

Settlement costs due to leaving -₹43,820	Selection costs -₹12,750
Recruitment costs -₹26,740	Training costs -₹30,490

Assuming that the potential production lost as a consequence of labour turnover could have been sold at prevailing prices. **Find** the profit foregone last year on account of labour turnover.

(10 Marks)