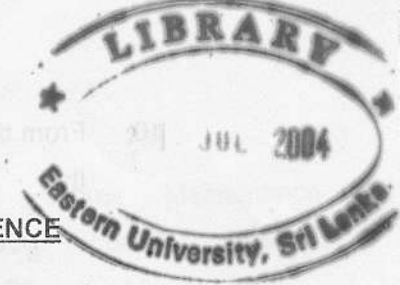


**EASTERN UNIVERSITY, SRI LANKA**  
**FACULTY OF SCIENCE**  
**THIRD YEAR/ SECOND SEMESTER EXAMINATION IN SCIENCE**  
**2002/2003 (PROPER)**



**OC 301 INTRODUCTION TO COST ACCOUNTING**

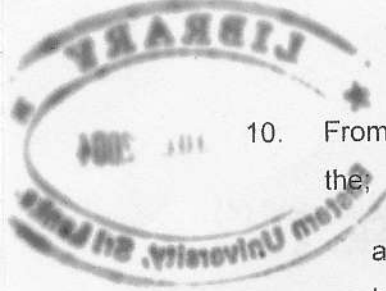
Answer all Questions

Time : 02 Hours

Non programmable calculator permitted

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01. 1. Define costing and discuss briefly its objectives? (04 marks)
2. Why are cost accounts necessary? In what respects do cost accounts differ from financial accounts. (04 marks)
3. Explain the concept of "Prime cost"? (03marks)
4. What are the strengths and weaknesses of using computers in cost accounting? (04 marks)
5. What is "cost unit". Suggest suitable cost units for the following enterprises.
- a. Transport services (Passenger)
  - b. Electricity Board
  - c. Canteen
- (04 marks)
6. Distinguish between direct cost and indirect cost using examples. (04 marks)
7. Distinguish between cost allocation, cost apportionment and cost absorption. (04 marks)
8. Name the three ways of apportioning the overheads of service cost centers to production cost centers when reciprocal service prevails. (04 marks)
9. What are
- a. Architects certificate
  - b. Retention money
- In relation to contract accounts. (04 marks)



10. From the following particulars you are requested to prepare a statement showing the,

- a. Cost of material consumed
- b. Prime cost
- c. Total cost
- d. Cost of sales and
- e. Profit

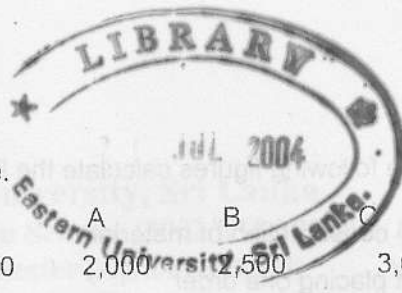
		Rs.
Stock of finished goods	31.12.2002	73,000
	31.12.2003	82,500
Stock of Raw material	31.12.2002	35,000
	31.12.2003	37,500
Purchase pf raw material		760,000
Production wages		520,000
Sales		1,545,000
Production overheads		130,200
Office and General charges		69,700

(05 marks)

(Total 40 marks)

02. Waran & Co. Ltd has three production depts.. A, B and C and two service depts. Stores and Maintenance. The following cost figures were extracted from the records of the company.

	Rs.
Rent and Rates	50,000
Indirect wages	15,000
Depreciation of machinery	100,000
General lighting	6,000
Power	15,000
Sundry expenses	100,000



The following details are also available.

	Total	A	B	C	Stores	Maintenance
Floor space (Sq.ft)	10,000	2,000	2,500	3,000	2,000	500
Light points	60	10	15	20	10	05
Direct wages (Rs.)	100,000	30,000	20,000	30,000	15,000	5,000
Horse power of machines	150	60	30	50	10	--
Value of machinery (Rs.)	2,500,000	600,000	800,000	1,000,000	50,000	50,000
Material requisition (Nos)	2,500	1,400	300	250	--	550
Maintenance hours	175	75	25	50	25	--
Machine hours	9,800	8,400	1,100	300	--	--
Labour hours	1,000	500	300	200	--	--

Prepare an overhead analysis sheet using the above data and calculate suitable overhead absorption rates for the three production departments.

(20 marks)

Product "Lola" passes through three process I, II and III. The normal wastage of each process is as follows.

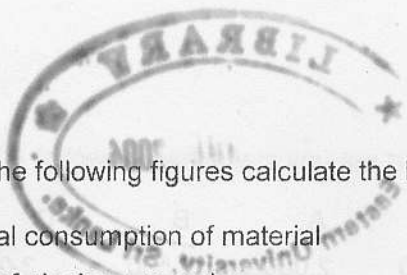
Process I	10%
Process II	5%
Process III	10%

Wastage of process I was sold at Rs. 3 per unit, that of process II at Rs. 5 per unit and that of process III at Rs. 6 per unit. 1000 units at Rs. 5 each were issued to process I. The other details were as follows.

Elements of cost	Process		
	I	II	III
Direct material (Rs.)	2,000	3,020	3,462
Direct Labour (Rs.)	3,000	4,000	5,000
Direct expenses (Rs.)	500	226	--
Production overhead (Rs.)	1,500	2,000	2,500
Actual out put (Units)	920	870	800

Prepare the relevant process accounts.

(20 marks)



04. i. From the following figures calculate the Economic Ordering Quantity (EOQ).

Annual consumption of material	4,000 kg
Cost of placing one order	Rs. 5
Cost per unit	Rs. 2
Storage and carrying cost	8% on average inventory

(10 marks)

ii. Calculate minimum level, maximum level, average stock level and re-order level from the following data.

Re-order quantity	1,200 units
Re-order period	4 – 6 weeks
Maximum consumption	300 units per week
Minimum consumption	200 units per week
Normal consumption	250 units per week

(10 marks)

(Total 20 marks)

Process	I	II	III
Direct material (Rs.)	2,000	3,000	4,000
Direct Labour (Rs.)	500	800	1,000
Direct expenses (Rs.)	200	300	400
Production overhead (Rs.)	1,500	2,000	2,500
Actual output (Units)	920	870	800

(20 marks)