Practice Questions for Virtual Coaching Classes

Paper 3: Cost and Management Accounting

Topic: Employee Cost

Question-1

Following are the particulars of two workers 'R' and 'S' for a month:

Particulars	R	S
(i) Basic Wages (₹)	15,000	30,000
(ii) Dearness Allowance	50%	50%
(iii) Contribution to EPF (on basic wages)	7%	7.5%
(iv) Contribution to ESI (on basic wages)	2%	2%
(v) Overtime (hours)	20	-

The normal working hours for the month are 200 hrs. Overtime is paid at double the total of normal wages and dearness allowance. Employer's contribution to State Insurance and Provident Fund are at equal rates with employees' contributions.

Both workers were employed on jobs A, B and C in the following proportions:

Jobs	A	B	C
R	75%	10%	15%
S	40%	20%	40%

Overtime was done on job 'A'.

You are required to:

(i) Calculate ordinary wage rate per hour of 'R' and 'S'.

(ii) Allocate the worker's cost to each job 'A', 'B' and 'C'.

Question-2

Following information is available for the month of March 2020:

Time rate (per Hour)	₹ 40
Piece rate (per unit)	₹ 50
Basic time allowed for 15 units	21 hours
Average output per worker	125 units

CALCULATE the total earnings of Worker under:

(i) Time rate system

(ii) Piece rate system

Question-3

Mr. A. is working by employing 10 skilled workers. He is considering the introduction of some incentive scheme - either Halsey Scheme (with 50% bonus) or Rowan Scheme - of wage payment for increasing the Employee productivity to cope with the increased demand for the product by 25%. He feels that if the proposed incentive scheme could bring about an average 20% increase over the present earnings of the workers, it could act as sufficient incentive for them to produce more and he has accordingly given this assurance to the workers.

As a result of the assurance, the increase in productivity has been observed as revealed by the following figures for the current month:

Hourly rate of wages (guaranteed)	₹ 40
Average time for producing 1 piece by one worker at the previous performance (This may be taken as time allowed)	2 hours
No. of working days in the month	25
No. of working hours per day for each worker	8
Actual production during the month	1,250 units

Required:

(i) CALCULATE effective rate of earnings per hour under Halsey Scheme and Rowan Scheme.

(ii) CALCULATE the savings to Mr. A in terms of direct labour cost per piece under the schemes.

Question-4

JBL Sisters operates a boutique which works for various fashion houses and retail stores. It has employed 26 workers and pays them on time rate basis. On an average an employee is allowed 8 hours for boutique work on a piece of garment. In the month of December 2020, two workers M and J were given 15 pieces and 21 pieces of garments respectively for boutique work. The following are the details of their work:

	M	J
Work assigned	15 pcs.	21 pcs.
Time taken	100 hours	140 hours

Workers are paid bonus as per Halsey System. The existing rate of wages is ₹ 60 per hour. As per the new wages agreement the workers will be paid ₹ 72 per hour w.e.f. 1st January 2021. At

the end of the month December 2020, the accountant of the company has wrongly calculated wages to these two workers taking ₹ 72 per hour.

Required:

(i) CALCULATE the loss incurred due to incorrect rate selection.

(ii) CALCULATE the loss incurred due to incorrect rate selection, had Rowan scheme of bonus payment followed.

(iii) CALCULATE the loss/ savings if Rowan scheme of bonus payment had followed.

(iv) DISCUSS the suitability of Rowan scheme of bonus payment for JBL Sisters?

Question-5

The Accountant of Y Ltd. has computed employee turnover rates for the quarter ended 31st March, 2020 as 10%, 5% and 3% respectively under 'Flux method', 'Replacement method' and 'Separation method' respectively. If the number of workers replaced during that quarter is 30, FIND OUT the number of workers for the quarter:

(i) Recruited and joined

(ii) Left and discharged

(iii) Equivalent employee turnover rates for the year.