

COST ACCOUNTING

Time: 2.30hrs

[Marks: 75]

- Q.1. A** Select the most appropriate option and rewrite the full sentence (**any eight**)
1. Cost Accounting is directed towards the need of _____
 - a. Government
 - b. External users **ANS.**
 - c. Internal users
 - d. Shareholders

 2. Cost of Products is equal to _____
 - a. Factory cost + Administrative overheads **ANS.**
 - b. Factory cost + Prime cost
 - c. Administrative overhead + Selling overheads
 - d. Prime cost + Selling overheads

 3. Variable cost increases in total due to _____
 - a. Increase in sales
 - b. Increase in profit
 - c. Increase in volume of production **ANS.**
 - d. All of the above

 4. Tendering and Quotations are usually based on _____
 - a. Cost statement alone
 - b. Profit alone
 - c. Future estimates
 - d. Previous period's cost adjusted for future forecasts **ANS.**

 5. Labour Turnover is caused by _____
 - a. Dissatisfaction with job
 - b. Low wages
 - c. Discharge
 - d. All of the above **ANS.**

 6. Stores department issues material to the production department based on _____
 - a. Purchase order
 - b. Goods received note
 - c. Material transfer note
 - d. Material requisition note **ANS.**

 7. Economic order quantity refers to _____
 - a. Quantity to be used economically
 - b. The quantity of materials to be maintained
 - c. The quantity of materials to be recorded **ANS.**
 - d. The quantity of materials to be ordered at a time

 8. Time-booking means _____
 - a. Time spent by workers to record their entry into the factory
 - b. A technique to analyse time spend by workers in firm
 - c. Time spent by workers on their job **ANS.**
 - d. All of the above

 9. Appropriate basis of apportionment of material handling charges is _____
 - a. Material consumed **ANS.**
 - b. Material in opening stock
 - c. Material in WIP
 - d. Material in closing stock

 10. Warehouse expenses is an example of _____
 - a. Selling overhead
 - b. Distribution overhead **ANS.**
 - c. Production overhead
 - d. None of the above

- Q.1. B** State whether the following statements are True or False (**any seven**)
1. Cost Accounting is used only in manufacturing industry **FALSE**
 2. High Labour turnover rate denotes good human relations **FALSE**
 3. Under absorption of overhead decreases profit in costing stocks **FALSE**
 4. Conversion cost is equal to direct wages plus factory overheads **TRUE**
 5. Bin Card is same as Stores Ledger **FALSE**
 6. Wages are paid for idle time **TRUE**
 7. Stores Ledger is maintained by the stores department **FALSE**
 8. Overheads are first charged to the department where they are incurred **TRUE**
 9. Transfer to General Reserve is an item of cost accounts **FALSE**
 10. Power is a machine expenses **TRUE**
- Q.2** Calculate the earnings of Rakesh and Ramesh from the following particulars for the month of March 2016 and allocate the labour cost to each Job No. 100 and Job No. 101

Particulars	Rakesh	Ramesh
Basic wages	₹ 15,000	₹ 18,000
D.A. (On Basic)	80%	80%
Employees Contribution to P.E. (On Basic)	10%	3%
Employees Contribution to E.S.T. (On Basic)	3%	3%
Overtime hours	18	15
Expenditure of amenities (Per month)	₹ 600	₹ 700

The Normal working hours for the month are 225. Overtime is paid on double the total of basic & D.A. Employer's contribution to State Insurance (E.S.I.) and P.F. are at equal rate with employees' contribution. There were two workers employed on Job. No. 100 & Job 101 in the following proportion

Name of Worker	Job. No. 100	Job. No. 101
Rakesh	40%	60%
Ramesh	20%	80%

OR

- Q.2. A** A Machine costs Rs. 12,00,000 and is deemed to have a scrap value of 10% at the end of its effective life (12 years). Ordinarily the machine is expected to run for 1,800 hours per year but it is estimated that 200 hours of the time will be lost for normal repairs and maintenance. Other details in respect of machine shop are as under:

Details	Amount (₹)
Annual wages bonus and provident fund contribution of each of two operators (each operator is in-charge of three machines)	1,50,000
Rent of shop per year	1,20,000
General lightning of the shop per month	6,000
Insurance premium for one machine per annum	28,000
Shop Supervisor's monthly remuneration	15,000
Cost of Repairs and maintenance per machine per quarter	6,000
Other Factory overheads attributable to the shop per annum	96,000
Power Consumption of machine per hour 15 units @ ₹ 6 per unit	_____

There are six identical machines in the shop. The supervisor is expected to devote one-fifth of time for supervising the machine

Compute the machine hour rate from the above details

Q.2. B The following are the details as regards as workers who worked for Job No. 444 and 555

Job No.	Time allowed	Time taken
444	26 hours	20 hours
555	30 hours	20 hours

His normal basic rate of wages was 80 per day of 8 hours and his dearness allowance was ₹ 240 per week of 48 hours

Calculate the amount payable to him

- i) On Time basis
- ii) On Halsey Plan basis (Bonus at 50% of Time saved) and
- iii) On Rowan Plan basis

Q.3 Following are the purchases and sales of materials in the month of March, 2016
 Prepare Stores Ledger showing valuation of stock on the basis of FIFO and Weighted Average Cost (Perpetual) Method

Date (2016)	Purchases (Units)	Rate (₹)	Sales (Units)
01 st March	1,200	380	—
06 th March	—	—	300
07 th March	600	400	—
12 th March	—	—	200
20 th March	400	420	—
25 th March	—	—	400
29 th March	800	440	—
31 st March	—	—	300

Out of purchases on March 7th, 100 units were returned to the supplier on March 9th

OR

Q.3. A From the following information, Calculate Economic Order Quantity and Number of orders to be placed in the year according to Formula Method and Tabular Method.

A Company manufactures a product from raw material which is purchased at ₹ 80 per kg. The company incurs a cost of placing an order of ₹ 250 plus freight of ₹ 1,150 per order. The incremental carrying cost of working is ₹ 2 per kg per annum. In addition, the cost of working capital finance on investment in inventory of raw material is ₹ 5 per kg per annum. The annual production of product is 50,000 units and 5 units are obtained from one kg of raw material

Q.3. B KVD Ltd has five departments; P, Q, R and S are production departments and S-1 is a service department. The actual costs are as follows:

	₹
Supervision	4,00,000
Insurance on stock	1,00,000
Lightning	1,80,000
Employer's liability of employees insurance	60,000
Repairs	3,50,000
Rent	2,50,000
Depreciation	4,20,000

The following information is also available in respect of the five departments:

Particulars	Production Departments				Service Dept.
	P	Q	R	S	S-1
Area (Sq. ft)	1400	1200	1100	900	400
No. of workers	250	300	100	100	50
Total Wages ₹	1,00,000	80,000	50,000	50,000	20,000
Value of plant ₹	2,00,000	1,80,000	160,000	1,00,000	60,000
No. of light points	50	40	35	30	25
Value of stock ₹	1,50,000	1,00,000	50,000	20,000	—

Prepare a Statement showing Primary Distribution of Overheads

Q.4 Bharat Electronics Ltd. product and provides you the following information for the year ending 31st March 2016

Particulars	₹
Raw Materials	
Opening stock	1,00,000
Purchases	8,45,000
Closing stock	40,000
Custom duty	5,000
Direct wages	2,00,000
Chargeable expenses	1,00,000
Haulage charges	10,000
Loose tools written off	20,000
Works Manager's salary	1,65,000
Cost of rectification	6,000
Office overheads 10% of works overheads	
Selling expenses ₹ 4 per unit sold	
Finished Goods	
Opening stock	1,000 Units + ₹ 1,55,920)
Produced during the year	10,000 Units
Closing stock	2,000 Units
Profit desired on cost 25%	

Prepare Cost Sheet showing the various elements of cost both in total and per unit and also find out total profit and per unit profit

OR

Q.4 Following is the summarised Profit & Loss Account of Govind Industries Ltd. for the year ended 31-3-2016

Profit & Loss Account for the ended 31-3-2016

Particulars	₹	Particulars	₹
To Direct material	20,000	By Sales (6,000 units)	48,000
To Wages	7,540	By Closing Stock	6,600
To Factory overheads	5,460	(Finished Goods 1,500 units)	
To Office overheads	5,250	By Interest on Investments	17,700
To Selling & Distributors overheads	9,600	By Profit on sale of furniture	12,000
To Interest on loan	1,400		
To Income tax	750		
To Net profit	34,300		
	84,300		84,300

The Cost accounting records for the above period showed the following

- 1) Direct material @ ₹ 5 per unit produced
- 2) Direct wages @ ₹ 6 per unit produced
- 3) Factory overheads were absorbed @ 25% of combined cost of Direct material & Direct wages
- 4) Administrative overheads were absorbed @ 2.5 per unit produced
- 5) Selling & Distribution overheads were absorbed @ 3.5 per unit sold

You are required to prepare the detailed Cost Sheet for the year ended 31-3-2016 and a Statement of Reconciliation

- Q.5. A** Explain the importance of Cost Accounting
Q.5. B Explain ABC Classification system of Inventory Control

OR

Q.5 Write short notes on (any three)

- a) Labour Turnover
- b) Purchase Order
- c) Material Turnover Ratio
- d) Limitations of Financial Accounting
- e) Causes of Over and Under Absorption of Overheads