SET – B

Name of the Course	:	B.Com. (Hons.) Sem. IV
Scheme/ Mode of Examination	:	CBCS
Name of the Paper	:	Cost Accounting
UPC/Subject Code	:	22411401
Duration	:	2 Hours
Maximum Marks	:	75

General Instructions:

1. Attempt any **four** questions. Each question carries equal marks. Show your workings clearly.
2. Use of simple calculator is allowed.

1. “Cost accounting is becoming more and more relevant in today’s emerging economic and business scenario”. Discuss.

2. A company manufactures a product having monthly demand of 250 units. For one unit of finished product 2 kg. of a particular raw material is needed. The purchase price of the raw material is Rs. 90 per Kg. The cost of processing an order is Rs.120 and the cost of storage is estimated to be Rs.16 per unit per annum.
   (i) What is the optimal order quantity and the total relevant cost of this order quantity?
   (ii) Suppose that Rs.120, an estimate of the cost of processing an order and Rs.16, an estimate of per unit per annum cost of storage proved incorrect and the costs incurred were Rs.60 and Rs.18 respectively. Calculate the cost of this prediction error assuming that the solution to part (i) has been implemented for one year?

3. APP Limited is a manufacturing concern and recovers overheads at a pre-determined rate of Rs.250 per man-day. The following additional information of a period are also available for you:

Total factory overheads incurred	Rs.55,00,000
Man-days actually worked	20,000
Sales (in units)	25,000
Stock at the end of the period:	
Completed units	2,500
Incomplete units (50% completed)	5,000

There was no opening stock of finished goods and works in progress. On analyzing the situation, it was discovered that 40% of the unabsorbed overheads were due to defective planning and balance were attributable to increase in overhead costs.
How would you treat unabsorbed overheads in cost accounts?

4. The following information relate to a contract concluded for Rs 20,00,000. Work on the contract commenced on January 1, 2019 with the following expenditure:

Stores and Materials:	Rs 3,70,000
Wages:	Rs 3,50,000
Plant and tools:	Rs.1,20,000
Establishment charges:	Rs 60,000
Sundry expenses:	Rs 27,000

Value of the Plant and tools on sites on December 31, 2019 was Rs 40,000. Value of stores and materials at site was Rs 18,000 and cost of the work uncertified work was Rs 1,10,000. It was later certified for Rs 1,25,000. Rs 8,00,000 was received from contractee being 80% of work certified. Certain materials costing Rs 60,000 were unsuited to the contract and were sold for Rs 58,000. The contractor wishes to calculate the profit on this contract on estimation basis and the following estimates were made:

(i) That contract would be completed by October 31,2020.
(ii) That further stores and materials required in addition to those in stock on December 31, 2019 would be Rs 3,50,000 and that of the sundry expenses would be Rs.25,000.
(iii) That further wages required to be incurred would be Rs 3,50,000.
(iv) That further plant and tools required would be Rs 1,25,000 which would have residual value of Rs 15,000 on completion of contract.
(v) That establishment expenses would cost the same per month as in 2019.
(vi) That 4% of the total cost of contract would be charged as a provision for contingencies.

Prepare contract account, Balance Sheet and statement of Estimation of Profit on contract .

5. XYZ Ltd. provides the following cost data of a product passing through two manufac -turing processes process A and process B:

Particulars	Process A	Process B
Input: (8,000 units)	8,96,000	—
Material Cost(Rs.)	1.46,500	1,04,580
Labour Cost (Rs.)	1,18,800	79,200
Electric Power (Rs.)	44,300	47,220
Normal loss	5%	4%
Value of scrap per unit (Rs.)	50	62
Output (units)	7,500	7,240

Other manufacturing expenses are Rs.1,98,000 to be charged on the basis of labour cost. You are required to prepare the Process Accounts, Abnormal Loss Account and Abnormal Effectiveness Account.

6. From the following particulars calculate the profit as per cost records and also prepare the reconciliation statement, if the profit as per financial accounts for the year ending 31st March 2020 was Rs. 1,35,525:

Particulars	**Rs.**	**Rs**
Opening stock of raw materials		50,000
Opening stock of Finished goods		1,50,000
Purchase of raw materials		3,50,000
Direct wages		1,50,000

Factory lighting	3,000	
Factory rent	24,000	
Power & fuel	30,000	
Indirect wages	2,500	
Depreciation on plant & machinery	50,000	
Oil, cotton waste, etc.	2,000	
Works managers salary	23,000	
Miscellaneous factory expenses	1,250	1,35,750
Office rent	18,000	
Office lighting	600	
Depreciation on office appliances	2,000	
Office staff salaries	20,000	40,600
Closing stock of finished goods		50,000
Opening stock of raw materials		75,000
Donations		10,000

In cost accounts, factory overhead is charged at 20 % on prime cost and office & administrative expenses at 50% of factory overheads. The selling price is fixed by adding 25% on the total cost of manufactured goods sold. Assume no WIP.