

Cost Accounting (Sem-V)

Note: (1) All questions are compulsory. (2) Figures to the right indicate full marks allotted to the question. (3) Working notes should form part of your answer.

(1) (a) Select the most appropriate option and rewrite the full sentence: (Any 8)

- (i) Prime cost is _____
 ♦ All costs incurred in manufacturing a product ♦ Total of direct costs
 ♦ Material cost of product ♦ Cost of operating a department
- (ii) _____ is most likely to a fixed cost.
 ♦ Cost of material used in production ♦ Rent
 ♦ Assembly Labour Cost ♦ Commissions
- (iii) Process of ascertainment of cost is known as _____
 ♦ Costing ♦ Cost Reporting ♦ Cost Control ♦ None of these
- (iv) Cost which can be identified easily is called as _____
 ♦ Indirect Cost ♦ Direct Cost ♦ Manufacturing Cost ♦ Fixed Cost
- (v) Good Received note is prepared by _____
 ♦ Purchase department ♦ Stores department
 ♦ Finance department ♦ Sales department.
- (vi) Interest on investment increases _____
 ♦ Financial Profit ♦ Assets ♦ Costing Profit ♦ None of these
- (vii) Tea and Lunch break is _____
 ♦ Normal Idle time ♦ Abnormal Idle time ♦ Overtime ♦ None of these
- (viii) Warehouse expense is an example of _____
 ♦ Production overhead ♦ Selling overhead ♦ Distribution overhead ♦ None of these
- (ix) Payroll shows _____
 ♦ Gross wages ♦ Deductions ♦ Net wages ♦ All of these
- (x) Under Perpetual inventory control _____
 ♦ Stock is verified continuously ♦ Stock is verified periodically
 ♦ Stock is verified at the end of every quarter ♦ Stock is verified at half yearly

(b) State whether the following statements are True or False: (Any 7)

- (i) Sunk costs are relevant for decision making.
 (ii) Administration costs are mostly variable cost.
 (iii) The cost of abnormal wastages is added to the cost of product.
 (iv) Earnings under Halsey and Rowan Plan are the same.
 (v) Cost Accounting is a branch of Financial Accounting.
 (vi) Under/Over absorption of overheads take place only when a predetermined rate of overheads is used.
 (vii) Reconciliation of cost and financial accounts is necessary in case of non-integrated system of accounts.
 (viii) Secondary packaging cost is not production cost but distribution cost.
 (ix) Purchase Requisition Note is prepared by the Stores department.
 (x) Stores ledger is maintained in the cost accounting department.

(2) (a) Calculate machine hour rate from the following data.

Cost of Machine	(₹)	1,16,000
Estimated scrap value	(₹)	16,000
Estimated working life	(hrs.)	20,000
Estimated maintenance cost during working life of machine	(₹)	2,400
Power used per machine	(₹)	1 per hour
Rent and Rates per month (10% to be charged to machine)	(₹)	3,000
Normal machine running hours during a month		180
Standing charges other than rent, rates etc, per month	(₹)	400

(2) (b) A Manufacturer buys certain essential spares from outside suppliers at ₹ 40 per set. Total annual requirement are 45,000 sets. The annual cost of investment in inventory is 10% and cost like rent, stationery, insurance, taxes etc. per unit per year works out to be ₹ 1. Cost of placing an order is ₹ 5.

Calculate:

- (i) The EOQ (By formula method)
 (ii) No. of order to be placed.

OR

(2) (a) A company is having two production departments namely A and B and two service departments S-1 and S-2. The expenses incurred during the month of March, 2014 are as follows.

Expenses	Amount (₹)
Electricity	3,600
Insurance on Assets	9,000
Power	15,000
Rent and Taxes	28,000
Depreciation	18,000
Canteen Expenses	5,400

The following information is also available for the above departments.

Particulars	A	B	S - 1	S - 2
Floor Space (Sq. ft.)	6000	4000	2000	2000
No. of Workers	100	50	50	25
H.P. of machine	120	60	30	15
Direct wages (₹)	10000	10000	5000	3000
Value of Assets (₹ in Thousands)	10	4	3	1
Direct materials (₹)	15000	10000	5000	—
No. of Light Points	30	15	10	05

Prepare a statement showing primary distribution of overheads.

(7)

- (2) (b) The following information relates to year 2013-2014:

Details	Material - I	Material - II
Opening Stock	5,00,000	20,00,000
Closing Stock	3,00,000	16,00,000
Net Purchases	42,00,000	50,00,000

Calculate the material turnover ratios regarding each of these materials and express in number of days the average inventory held.

- (3) Calculate the earnings of Ashok and Bhanudas from the following particulars for a month and allocate the labour cost to each Job, No. 1, No. 2 and No. 3. (15)

	Ashok	Bhanudas
Basic wages (₹)	10,000	16,000
D.A. (on Basic wages)	50%	50%
Employees Contribution to P.F. (on Basic wages)	8%	8%
Employees contribution to E.S.I. (on Basic wages)	2%	2%
Overtime hours	10	5
Expenditure on amenities (Per Month)	₹ 250	₹ 350

The normal working hours for the month are 200. Overtime is paid at double the total of Basic and D.A. Employer's Contribution to State Insurance and P.F. are at equal rate with employees' contribution. Two workers were employed on Jobs, No. 1, No. 2 and No. 3 in the following proportions.

Name of Worker	No. 1	No. 2	No. 3
Ashok	40%	30%	30%
Bhanudas	50%	20%	30%

Overtime was done on Job No. 2

OR

- (3) (a) Himgiri Ltd. has four departments. A, B and C are production departments and D is a service department. The actual expenses for a period are as follows: (8)

Particulars	(₹)
Rent	10,000
Repairs to Plant	6,000
Depreciation of Plant	4,500
Lighting Expenses	1,000
Supervisory Expenses	15,000
Fire Insurance (on stock)	5,000
Power	9,000
Employees' Insurance	1,500

The following information is available in respect of four departments:

Particulars	Production Departments			Service Dept.
	A	B	C	D
Area (Sq. ft.)	1500	1100	900	500
No. of Light Points	15	11	9	5
No. of Employees	200	150	100	50
Direct Wages (₹)	60,000	40,000	30,000	20,000
Value of Plant (₹)	2,40,000	1,80,000	1,20,000	60,000
Value of Stock ₹	1,50,000	90,000	60,000	—

Prepare Primary Distribution Statement.

- (3) (b) From the following information, calculate Economic Order Quantity by using Formula and Tabulation Method. (7)

Annual Requirement (Units)	6,400
Ordering Cost (Per order ₹)	100
Carrying cost per unit (₹)	8
Per unit Price (₹)	80

The firm can procure inventories in various lots such as: (i) 6400 units (ii) 3200 units (iii) 1600 units (iv) 800 units (v) 400 units (vi) 200 units and (vii) 100 units.

- (4) Following details are furnished by Deepak Ltd. of expenses incurred during the year ended 31st March, 2014. (15)

Particulars	(₹)
Direct Materials	3,00,000

October 2014

6

	85,250
	?
Opening Stock of Finished Goods (1000 units)	96,000
Closing Stock of Finished Goods (2000 units)	17,500
Depreciation on Plant and Machinery	85,000
Loss on Sale of Machinery	1,60,000
Demonstration Expenses	3,80,000
Direct Expenses	7,800
General Managers Salary	2,00,000
Dividend paid	1,00,000
Direct wages	1,85,250
Works Managers Salary	1,72,000
Advertisement	1,90,000
Depreciation on Computers	1,14,000
Purchase of Machinery	1,88,000
Depreciation on Delivery Van	2,04,000
Office Maintenance Charges	25,000
Other Factory Overheads	22,80,000
Goodwill written off	
Sales (19000) Units	

Closing Stock of Finished goods to be valued at cost of production.

You are required to prepare Cost sheet showing various elements of cost both in total and per unit and also find out total profit and per unit profit.

OR

- 4) Following is the summarised Profit and Loss Account of XYZ Industries for the year ended 31-3-2014.

(15)

Profit and Loss Account for the year ended 31st March 2014

Particulars	₹	Particulars	₹
To Materials consumed	2,00,000	By Sales (12000 units)	4,80,000
To Wages	75,400	By Closing Stock (Finished Goods 3000 units)	66,000
To Factory Expenses Paid	52,400	By Interest on Securities	17,000
Add: Outstanding	2,200	By Profit on Sale of Assets	1,20,000
To Administrative Overheads	52,500		
To Selling and Distribution Overheads	96,000		
To Interest on Loans	14,000		
To Income Tax	7,500		
To Net Profit	1,83,000		
	6,83,000		6,83,000

The cost accounting record for the above period showed the following:

- Material consumed @ ₹ 10 per unit produced.
- Direct Wages @ ₹ 6 per unit produced.
- Factory overheads were absorbed @ 25% of Prime cost.
- Administrative overheads were absorbed @ ₹ 5 per unit produced.
- Selling and Distribution overheads were absorbed @ ₹ 7 per unit sold.

You are required to prepare the detailed Cost Sheet for the year ended 31-3-2014 and a Statement of Reconciliation.

- 5) (a) What is meant by Labour Turnover? What are its causes?

(8)

- (b) Explain in brief necessity of Cost Accounting.

(7)

OR

- 5) Write short notes on (any three):

- (a) Classification of Cost on the basis of Elements. (b) Stock Levels. (c) Gantt's Task Bonus Plan. (d) Causes of Over and Under Absorption of Overheads. (e) Direct Costs.

(15)