Paper 8- Cost Accounting

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Full Marks :100 **Time allowed: 3 hours**

Question No 1 is Compulsory. Answers any five Questions from the rest.
Working Notes should form part of the answer.

1.(a) Match the statement in Column I with the most appropriate statement in Column II : **[1×5 =5]**

Column I	Column II
1. Primary packing material consumed	**A.** Per contract
2. Variable cost per unit	**B.** Normal Output
3. In contract costing , the cost unit is	**C.** CAS 19
4. Joint Cost	**D.** Treated as direct expenses
5. Cost of normal loss is borne by	**E.** Fixed

(b) Choose the correct answer from the given four alternatives: **[1 x10=10]**

(i) Which of the following is a long-term budget?
A. Master Budget
B. Flexible Budget
C. Cash Budget
D. Capital Budget

(ii) Excess of actual cost over standard cost is known as
A. Abnormal effectiveness
B. Unfavourable variance
C. Favourable variance
D. None of these.

(iii) Variable cost
A. Remains fixed in total
B. Remains fixed per unit
C. Varies per unit
D. Nor increase or decrease

(iv) The most suitable cost system where the products differ in type of material and work performed is
A. Operating Costing
B. Job costing
C. Process costing
D. All of these.

(v) Operating costing is applicable to:
A. Hospitals
B. Cinemas
C. Transport undertaking
D. All of the above

(vi) What entry will be passed under integrated system for purchase of stores on credit?

A. Dr. Stores
Cr. Creditors

B. Dr Stores ledger control A/c
Cr Creditors

C. Dr Stores Ledger control A/c
Cr General Ledger adjustment A/c

D. No entry

(vii) Equivalent production of 1,000 units, 60% complete in all respects, is :

A. 1000 units
B. 1600 units
C. 600 units
D. 1060 units

(viii) Standards deals with the principles and methods of determining depreciation and amortization cost

A. CAS 9
B. CAS 12
C. CAS 15
D. CAS 16

(ix) Charging to a cost center those overheads that result solely for the existence of that cost Center is known as

A. Allocation
B. Apportionment
C. Absorption
D. Allotment

(x) Direct Expenses does not meet the test of materiality can be ———— part of overhead.

A. Treated
B. Not treated
C. All of the these
D. None of these

(c) Fill in the blanks: **[1×5 =5]**

(i) P/V ratio is the ratio of __________________ to sales.

(ii) The difference between actual and absorbed factory overhead is called ___________________.

(iii) The method of costing used in undertaking like gas companies, cinema houses, hospitals etc is known as _________________.

(iv) Cash budget is a part of _____________ budget.

(v) Direct Expenses incurred for brought out resources shall be determined at ______________.

(d) State whether the following statements are TRUE or FALSE: **[1×5 =5]**

(i) Waste and Scrap of material have small realization value.

(ii) A flexible budget recognises the difference between fixed, semi-fixed and variable cost and is designed to change in relation to the change in level of activity.

(iii) Multiple Costing is suitable for the banking Industry.

(iv) FIFO methods are followed for evaluation of equivalent production when prices are fluctuating.

(v) Variable cost per unit is variable.

2.(a) S Ltd. furnishes you the following information relating to the half year ended 30th June, 2015.

Fixed expenses	₹ 45,000
Sales value	₹ 1,50,000
Profit	₹ 30,000

During the second half the year the company has projected a loss of ₹10,000. Calculate:

(i) The B.E.P and M/S for six months ending 30th June, 2015.

(ii) Expected sales volume for the second half of the year assuming that the P/V Ratio and Fixed expenses remain constant in the second half year also.

(iii) The B.E.P and M/S for the whole year for 2015. **[2+3+2]**

(b) The following details apply to an annual budget for a manufacturing company.

QUARTER	1st	2nd	3rd	4th
Working Days	65	60	55	60
Production (Units per working day)	100	110	120	105
Raw material purchases (% by weight of annual total)	130%	50%	20%	---
Budgeted purchase price/Kg.(₹)	1	1.05	1.125	---

Quantity of raw material per unit of production 2 kg. Budgeted closing stock of raw material 2,000 kg. Budgeted opening stock of raw material 4,000 kg. (Cost ₹4,000) Issues are priced on FIFO Basis. Calculate the following budgeted figures.

(i) Quarterly and annual purchase of raw material by weight and value.

(ii) Closing quarterly stocks by weight and value. **[2+2+2 +2]**

3.(a) Illustrate scrap? How do you treat scrap in Cost Accounts? **[3+4]**

(b) Two components A and B are used as follows:

Normal usage =50 per week each

Re-order quantity =A- 300; B-500

Maximum usage =75 per week each

Minimum usage =25 per week each

Re-order period: A - 4 to 6 weeks; B - 2 to 4 weeks

Calculate for each component

(a) Re-order level; **(b)** Minimum level; **(c)** Maximum level; **(d)** Average stock level.

[2+2+2+2]

4.(a) List out the industries where Batch Costing is applied? **[5]**

(b) Union Transport Company supplies the following details in respect of a truck of 5 tonne capacity

Cost of truck ₹90,000

Estimated life	10 years
Diesel, oil, grease	₹15 per trip each way
Repairs and maintenance	₹500 p.m.
Driver's wages	₹500 p.m.
Cleaner's wages	₹250 p.m.
Insurance	₹4,800 per year
Tax	₹2,400 per year
General supervision charges	₹4,800 per year

The truck carries goods to and from the city covering a distance of 50 kms. each way.

On outward trip freight is available to the extent of full capacity and on return 20% of capacity.

Assuming that the truck runs on an average 25 days a month, work out:

(i) Operating cost tonne-km.

(ii) Rate for tonne per trip that the company should charge if a profit of 50% on freight is to be earned. **[10]**

5. (a) Royalty paid on sales ₹30,000; Royalty paid on units produced ₹20,000, hire charges of equipment used for production ₹2,000, Design charges ₹15,000, Software development charges related to production ₹22,000. Compute the Direct Expenses. **[5]**

(b) XYZ Ltd. has three production departments, X Y and Z and two service departments, S_1 and S_2. The following figures are available for a certain production period:

Items of Overheads	**Amount (₹)**
Indirect Wages	16,000
Indirect Materials	12,000
Depreciation - Machinery	30,000
Depreciation - Building	10,000
Rent, Rates and Taxes	10,000
Electric Power for Lighting	1,000
Electric Power for Machinery	15,000
General Expenses	15,000

	Total	**X**	**Y**	**Z**	**S_1**	**S_2**
Direct Material (₹)	60,000	20,000	10,000	20,000	6,000	4,000
Direct Wages (₹)	40,000	15,000	15,000	5,000	3,000	2,000
Floor Area (Sft)	50,000	15,000	10,000	10,000	5,000	10,000
Value of Machinery (₹)	3,00,000	80,000	1,00,000	60,000	30,000	30,000
Horse Power (HP) of Machinery	150	60	50	30	5	5
Number of lights points	50	15	10	10	10	5
Labour Hours	15,000	5,000	5,000	2,000	1,000	2,000

Prepare a statement showing the distribution of overheads among the production and service departments on the most equitable basis. **[10]**

6. (a) "If the products are truly joint products, the cost of process can be applied to these products:

I. On the basis of the weight or other physical quantity of each product.

II. In respect of the marginal cost of the process on the basis of physical quantities and in respect of the fixed costs of the process on the basis of the contribution made by the various products.

III. On the basis of the selling values of the different products."

Using the following figures in respect of the joint production of A and B for a month, show the apportionment of joint costs and profits made, on the above three bases.

Total Cost

Direct Materials	₹26,000
Direct Labour	10,000
Variable Overhead	8,000
Fixed Overhead	22,000

Sales A – 100 tonnes @ ₹600 per tone

B – 120 tonnes @ ₹200 per tone **[4+4+3]**

(b) Write any four features of Process Costing. **[4]**

7.(a) A company manufactures scooters and sells it at ₹3,000 each. An increase of 17% in cost of materials and of 20% of labour cost is anticipated. The increased cost in relation to the present sales price would cause at 25% decrease in the amount of the present gross profit per unit. At present, material cost is 50%, wages 20% and overhead is 30% of cost of sales. You are required to :

(i) Prepare a statement of profit and loss per unit at present and;

(ii) Compute the new selling price to produce the same percentage of profit to cost of sales as before. **[10]**

(b) Distinguish between Standard Costing & Budgetary Control. **[5]**

8. Write short note on the fallowing (Any three) **[5x3=15]**

(a) Flexible Budget

(b) Causes of Labour Turnovers

(c) Just-in-Time

(d) Economic Batch Quantity

(e) Limitations of Break-even Analysis