

Paper 8 – Cost Accounting

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Full Marks : 100

Time allowed: 3 hours

Answer Question No. 1 which is compulsory carries 20 marks and answer any 5 Question from Q. No 2 to Q. No. 8

Section A

1. A. Choose the correct answer from given four alternatives [1x10=10]
- A. Warehouse expense is an example of
 - (a) Production overhead
 - (b) Selling overhead
 - (c) Distribution overhead
 - (d) None of above.

 - B. Difference between standard cost and actual cost is called as
 - (a) Wastage
 - (b) Loss
 - (c) Variance
 - (d) Profit

 - C. Which of the following is not a potential benefit of using a budget?
 - (a) Enhanced coordination of firm activities
 - (b) More motivated managers
 - (c) Improved interdepartmental communication
 - (d) More accurate external financial statements.

 - D. Which of the following is considered as normal loss of material?
 - (a) Pilferage
 - (b) Loss due to accident
 - (c) Loss due to careless handling of material
 - (d) None of the above.

 - E. At the Economic Ordering Quantity level, the following is true
 - (a) The ordering cost is minimum
 - (b) The carrying cost is minimum
 - (c) The ordering cost is equal to the carrying cost
 - (d) The purchase price is minimum. SA

 - F. The following is not treated as a manufacturing overhead:
 - (a) Lubricants
 - (b) Cotton waste
 - (c) Apportioned administration overheads
 - (d) Night shift allowance paid to a factory worker due to general work pressure.

 - G. In Reconciliations Statements Expenses shown only in cost accounts are:
 - (a) Added to financial profit
 - (b) Deducted from financial profit
 - (c) Ignored
 - (d) Deducted from costing profit.

 - H. Which of the following items is not included in preparation of Cost Sheet?
 - (a) Carriage inward
 - (b) Purchase returns
 - (c) Sales commission
 - (d) Interest paid

I. Marginal Costing technique follows the following basic of classification:

- (a) Element wise
- (b) Function wise
- (c) Behaviour wise
- (d) Identifiability wise.

J. Most of the expenses are direct in:

- (a) Job costing
- (b) Batch costing
- (c) Contract costing
- (d) None of the above.

(B) Match the following:

[1×5=5]

	Column-A		Column-B
1.	Advertisement	A	Value of goods in transit
2.	Credit and collection	B	Floor area occupied
3.	Warehouse rent	C	A percentage of cash collection
4.	Royalties	D	No. of orders
5.	Bad debts	E	Sales value
6.	Transit insurance	F	Direct allocation

(C) State whether the following statements are True' or 'False':

[1×5=5]

- (i) Uniform costing is a unique method of costing to determine costs accurately.
- (ii) Operation Costing and Operating Costing are interchangeably used for the same technique of costing.
- (iii) CAS- 9 is for Direct Expenses as issued by the Cost Accounting Standards Board (CASB) of the Institute of Cost Accountants of India.
- (iv) Need for Reconciliation arise in case of integrated system of accounts.
- (v) Cost control accounts are prepared on the basis of double entry system.

(D) Fill in the blanks (You may write only the Roman numeral and the content filling the blank)

[1×5=5]

- (i) VED analysis is primarily used for contract of
- (ii) Salary paid to factory manager is an item of
- (iii) In hospital the cost unit is.....
- (iv) Cost of is not borne by good units.
- (iv) In Absorption costing is added to inventory.

Section B

Answers any five Questions, working notes should form part of the answer.

2. (a) From the following particulars with respect to a particular item of materials of a manufacturing company, calculate the best quantity to order:

Ordering quantities (tonne)	Price per ton (₹)
Less than 250	6.00
250 but less than 800	5.90
800 but less than 2,000	5.80
2,000 but less than 4,000	5.70
4,000 and above	5.60

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The annual demand for the material is 4,000 tonnes. Stock holding costs are 20% of material cost p.a. The delivery cost per order is ₹6.00.

- (b) The following information relates to the activities of a production department of Remington, for a certain period.

Material used	36,000
Direct Wages	30,000
Labour Hours	12,000
Hours of Machinery - operation	20,000
Overhead Chargeable to the Dept	25,000

On one order carried out in the department during the period the relevant data were:-

Material used (₹)	6,000
Direct Wages (₹)	4,950
Labour Hours worked	1,650 hrs.
Machinery Hours	1,200

Calculate the overheads chargeable to the job by four commonly used methods.

[9+6]

3. (a) State the objective and scope of CAS 23.

- (b) The following are the costing records for the year 2014 of Nelito Systems:

Production 10,000 units;
Cost of Raw Materials ₹ 2,00,000;
Labour Cost ₹ 1,20,000;
Factory Overheads Rs 80,000;
Office Overheads Rs 40,000;
Selling Expenses Rs 10,000,
Rate of Profit 25% on the Selling Price.

The management decided to produce 15,000 units in 2015. It is estimated that the cost of raw materials will increase by 20%, the labour cost will increase by 10%, 50% of the overhead charges are fixed and the other 50% are variable. The selling expenses per unit will be reduced by 20%. The rate of profit will remain the same.

Prepare a Cost Statement of Nelito Systems for the year 2015 showing the total profit and selling price per unit.

[6+9]

4. (a) A contractor commenced the work on a particular contract on 1st April, 2015 he usually closes his books of accounts for the year on 31st December of each year. The following information is revealed from his costing records on 31st December, 2015.

Materials sent to	₹ 43,000
Jr. Engineer	₹ 12,620
Labour	₹ 1,00,220

A machine costing ₹ 30,000 remained in use on site for 1/5th of year. Its working life was estimated at 5 years and scrap value at ₹ 2,000.

A supervisor is paid Rs 2,000 per month and had devoted one half of his time on the contract. All other expenses were ₹14,000 the materials on site were ₹2,500. The contract price was ₹ 4,00,000. On 31st December, 2015 2/3rd of the contract was completed however, the architect gave certificate only for ₹2,00,000 and on which 80% was paid.

Prepare Contract Account for Digvijay Ltd.

- (b) Nita Travels, a transport service company is running 4 buses between two towns which are 50 miles apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books for April, 2015.

	₹
Wages of Drivers, Conductors and Cleaners	2,400
Salaries of Office and Supervisory Staff	1,000
Diesel and oil and other oil	4,000
Repairs and Maintenance	800
Taxation, Insurance, etc.	1,600
Depreciation	2,600
Interest and Other Charges	2,000
	14,400

Actual passengers carried were 75% of the seating capacity. All the four buses ran on all days of the month. Each bus made one round trip per day. Find out the cost per passenger mile of Nita Travels. [8+7]

5. (a) A manufacturing concern which has adopted standard costing furnishes the following information.

Standard Material for 70 Kg of finished product of 100 Kg

Price of materials ₹ 1 per kg

Actual Output 2,10,000 kg.

Material used 2,80,000 kg.

Cost of materials ₹ 2,52,000.

Calculate:

(i) Material Usage Variance

(ii) Material Price Variance

(iii) Material cost Variance.

- (b) Calculate the total earnings and effective rate of earnings per hour of three operators under Rowan System and Halsey System from the following:

The standard time fixed for producing 1 dozen articles is 50 hours. The rate of wages is ₹ 1 per hour. The actual time taken by three are as follows:

A- 45 hours

B-40 hours

C- 30 hours.

[7+8]

6. (a) Dreamland Co. Ltd., manufactures and sells four types of products under the brand names of A, B, C and D. The sales Mix in value comprises: 33 1/3%, 41 2/3%, 16 2/3% and 8 1/3% of products A, B, C & D respectively. The total budgeted sales (100% are ₹ 60,000 p.m.)

Variable Costs:

Product A 60% of selling price

Product B 68% of selling price

Product C 80% of selling price

Product D 40% of selling price

Fixed Costs: ₹ 14,700 p.m.

(a) Calculate the break - even - point for the products on overall basis &

(b) Also calculate break-even-point, if the sales mix is changed as follows the total sales per month remaining the same. Mix: A - 25% : B - 40% : C - 30% : D - 5%.

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- (b) Draw a Material Procurement Budget (Quantitative) from the following information:
 Estimated sales of a product 40,000 units. Each unit of the product requires 3 units of material A and 5 units of material B.
 Estimated opening balances at the commencement of the next year:

Finished product = 5,000 units
 Material A = 12,000 units
 B = 20,000 units

Material on order:
 Material A = 7,000 units
 Material B = 11,000 units

The desirable closing balance at the end of the next year:

Finished product = 7,000 units
 Material A = 15,000 units
 Material B = 25,000 units

Material on order:
 Material A = 8,000 units
 Material B = 10,000 units.

[6+9]

7. (a) SV Ltd a multi product company furnishes you the following data relating to the year 2015:

	First Half of the Year (₹)	Second Half of the Year (₹)
Sales	45,000	50,000
Total Cost	40,000	43,000

Assuming that there is no change in prices and variable cost and that the fixed expenses are incurred equally in the two half year period, calculate for the Year, 2015.

- (i) The P/V Ratio
- (ii) Fixed Expenses
- (iii) Break-even sales
- (iv) Percentage of Margin of Safety.

- (b) The Net Profits shown by financial accounts of Sea View Ltd. amounted to ₹ 18,550 whilst the profits disclosed by company's cost account for that period were ₹ 28,660. On reconciling the figures, the following differences were noted:

	₹
Director's fee not charged in cost accounts	650
A provision for bad and doubtful debts	570
Bank interest (Cr.)	30
Income Tax	8300

Overheads in the cost accounts were estimated at ₹ 8500. The charges shown by the financial book was ₹ 8320.

Work was started during the year on a new factory and expenditure of ₹ 16,000 was incurred.

Depreciation of 5% was provided in financial accounts.

Prepare a Statement, Reconciling the figures shown by the cost and financial accounts.

[6+9]

8. Write short notes on any three of the following: [5x3=15]
- (a) Difference in Profit under Marginal Costing & Absorption Costing
 - (b) Replacement Cost
 - (c) Cost Accounting Standard on Cost of Service Cost Centre
 - (d) Difference between Merit Rating and Job Evaluation.