Paper 8- Cost Accounting

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

Section A

Question 1 is compulsory. Answer all questions under each sub division

1. Answer the following questions:

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

(i) When a direct worker is paid on a monthly fixed salary basis. The following is true
(a) There is no idle time cost
(b) There is no idle time lost
(c) Idle time cost is separated and treated as overhead
(d) The salary is fully treated as factory overhead.

(ii) Marginal costing technique follows the following basis of classification
(a) Element-wise
(b) Function-wise
(c) Behavior -wise
(d) Identifiably –wise

(iii) The allotment of whole items of cost of centers or cost unit is called
(a) Cost allocation
(b) Cost apportionment
(c) Overhead absorption
(d) None of the above

(iv) Director Remuneration and expenses form a part of
(a) Production overhead
(b) Administration overhead
(c) Selling overhead
(d) Distribution overhead

(v) Which of the following item is not included in preparation of cost sheet
(a) Carriage inward
(b) Purchase returns
(c) Sales commission
(d) Interest Received

(vi) Normal rate per hour for worker X in a factory is 3.6 Standard time per unit for the worker is one minute. Normal piece rate per unit for the worker is
(a) 0.09
(b) 0.08
(c) 0.06
(d) None of the above

(vii) Selling price of a product is ₹6 per unit, variable cost is ₹4 per unit and fixed cost is 24,000.Then Breakeven point in units will be
(a) 4,000
(b) 6,000
(c) 12,000
(d) None of the above

(viii) Integral accounts eliminate the necessity of operating
(a) Cost Ledger control account
(b) Store Ledger control account
(c) Overhead adjustment account
(d) None of the above

(ix) Most of the expenses are direct in:
(a) Job Costing
(b) Batch Costing
(c) Contract Costing
(d) None of the above

(x) If an organization has all resources it needs for production, then the principal budget factor is most likely to be
(a) Non-existing
(b) Sales demand
(c) Raw materials
(d) Labour Supply

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

Column I		Column II	
(i)	Cash inventory	(A)	Based on proportion of time saved to time allowed
(ii)	Halsey Plan	(B)	Dividend Discount Model
(iii)	John Bur Williams	(C)	Based on time saved
(iv)	Group Bonus Plan	(D)	Waste Reduction Incentive
(v)	Rowan Plan	(E)	Baumol Model

(c) State whether the following statements are True' or 'False': [1x5=5]

(i) Marginal costing is useful long term planning.
(ii) Opportunity cost is the value of benefit sacrificed in favour of an alternative course of action.
(iii) Allocation, for overhead implies the identification of overhead cost centers to which they relate.
(iv) Breakeven point=Profit/Sales
(v) A budget manual is the summary of all functional budget.

(d) Fill in the blanks suitably: [1x5=5]

(i) Differential cost is the change in the cost due to change in ___________ from one level to another.
(ii) _________ cost are historical costs which are incurred in the past.
(iii) CAS____ Stands for cost of service cost centre.
(iv) The ________ of the CASB will be nominated by the council of The Institute of Cost Accountants of India.
(v) The term used to charge overheads to cost units is called _______.

Section B
Answer any five questions out of seven questions

2. (a) From the details given below, calculate: **[9+6=15]**

Re-ordering level
Maximum level
Minimum level
Danger level

Re-ordering quantity is to be calculated on the basis of following information:

(i) Cost of placing a purchase order is ₹ 40
(ii) Number of units to be purchased during the year is 10,000
(iii) Purchase price per unit inclusive of transportation cost is ₹ 100
(iv) Annual cost of storage per units is ₹10
(v) Details of lead time: Average 10 days, Maximum 15 days, Minimum 6 days. For emergency purchases 4 days
(vi) Rate of consumption: Average: 15 units per day, Maximum: 20 units per day

(b) From the following particulars given below compute Machine hour rate for a machine.
(i) Cost ₹ 24,000
(ii) Scrap value ₹4,000
(iii) Estimated Working life 40,000 hours
(iv) Estimated cost of repairs and maintenance during the whole life ₹ 2,000
(v) Standard charges of the shop for 4 weekly period ₹ 3,000
(vi) Working hours in 4 weekly period 100 hours
(vii) No. of machines in the shop each of which is liable for equal charge are 30 machines.
(viii) Power used per hour 4 units @ 10p. per unit

3. (a) Cost Management in infrastructure Sector. **[6+9=15]**

(b) A transistor manufacturer, who commenced his business on 1st June, 2018 supplies you with the following information and asks you to prepare a statement showing the profit per transistor sold. Wages and materials are to be charged at actual cost, works overhead at 75% of wages and office overhead at 30% of works cost. Number of transistors manufactured and sold during the year was 540. Other particulars:

Materials per set ₹288
Wages per set ₹96
Selling price per set ₹720
If the actual works expenses were ₹ 38,592 and office expenses were ₹ 74,160,

Prepare a Reconciliation Statement.

4. (a) An advertising agency has received an enquiry for which you are supposed **[8+7=15]** to submit the quotation. Bill of material prepared by the production department for the job states the following requirement of material:
Paper 10 reams @ ₹ 1,800 per ream
Ink and other printing material ₹ 5,000
Binding material & other consumables ₹ 3,000
Some photography is required for the job. The agency does not have a photographer as an employee. It decides to hire one by paying ₹ 10,000 to him. Estimated job card

prepared by production department specifies that service of following employees will be required for this job:

Artist (₹ 12,000 per month)	80 hours
Copywriter (₹ 10,000 per month)	75 hours
Client servicing (₹ 9,000 per month)	30 hours

The primary packing material will be required to the tune of ₹ 4,000. Production Overheads 40% of direct cost, while the S & D Overheads are likely to be 25% on Production Cost. The agency expects a profit of 25% on the quoted price. The agency works 25 days in a month and 6 hours a day.

(b) A company produces three joint products in one common process. The three products in one common process. The three products can either be sold at split off point or can be separately processed further after split off point and sold separately. the estimated data for a particular month are as under:

	Product		
	A	B	C
Selling Price at split off point (₹ /kg)	100	90	150
Selling Price at split off point (₹ /kg)	200	190	260
Cost incurred on further processing (₹)	3,50,000	4,00,000	2,00,000
Output in kg	3,500	2,500	2,000

Joint costs incurred up to split off point are 2, 64,000
Such costs are apportioned to three products in the ratio 7:5:4

You are required to:

(i) Prepare a statement of estimated profit or loss for each product individually and in total for the company for the month if all three products are
   1. Sold off at split off point and
   2. Further processed.

(ii) Also advice how profit could be maximized by selectively selling the products individually either at split off point or after further processing.

5.(a) The following cost data pertaining to the year 2017-18 have been collected from the books of XYZ ltd.Orepare a cost sheet indicating the cost of generation of power per unit of KWH. **[8+7=15]**

	(₹)
Operating labour	19,800
Plant Supervision	6,300
Lubricant & Supplies	12,600
Repairs & Maintenance	25,200
Capital Cost	1,50,000
Administrative Overhead	9,000

Coal consumed per KWH 1.5lbs. and coal delivered to the Power Station is 33.06 per metric tonne.Depreciation rate chargeable is 4% p.a and interest on capital is to be taken at 7%.

[Given: 1 Metric tonne = 2,204.62 lbs]

(b) A contractor commenced the work on a particular contract on 1st April, 2016 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, 2017.

	(₹)
Material sent to site	86,000
Jr Engineer	25,240
Labour	2,00,440

A machine costing ₹60,000 remained in use on site for 1/5th of year. Its working life was estimated at 5 years and scrap value at ₹4,000
A supervisor is paid ₹4,000 per month and had devoted one half of his time on the contract.
All other expenses were 28,000 the materials on site were 5,000.
The contract price was 4,00,000. On 31st December, 2017 2/3rd of the contract was completed however, the architect gave certificate only for 4,00,000. On which 80% was paid. Prepare Contract Account.

6.(a) PN Ltd a multi product company furnishes you the following data relating to the year 2017 **[8+7=15]**

	First half of the year (₹)	Second half of the year (₹)
Sales	90,000	1,00,000
Total Cost	80,000	86,000

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

(b) A factory is currently working to 40 % capacity and produces 10,000 units. At 50 % the selling price falls by 2%, At 90 % capacity the selling price falls by 6% accompanied by similar fall in prices of raw material. Estimate the profit of the company at 50% and 90 % capacity of production.

The cost of present
Material ₹20
Labour ₹6
Overheads ₹10(60 % fixed)
The selling price per unit is ₹40 per unit

7.(a) From the following information, Calculate Mix, Price and Usage Variance **[8+7=15]**

	Quantity(Kg)	Unit Rate(₹)	Total(₹)
Standard			
Material X	20	4	40
Material Y	40	6	120
Material Z	40	12	240
Actual			
Material X	10	6	15
Material Y	20	12	120
Material Z	30	10	150

(b) The standard set for material consumption was 1000kg @ 4.50 per kg.
In a cost period:
Opening Stock was 1000 kg @ 4.50 per kg.

Purchases made 5000 kg @4.30 per kg.
Consumption 1100 kg.

Calculate: a) Usage b) Price Variance
(i) When variance is calculated at point of purchase
(ii) When variance is calculated at point of issue on FIFO Basis
(iii) When variance is calculated at point of issue on LIFO Basis

8. **Write short notes on any three of the following: [5X3=15]**

(a) Difference in profit under Marginal Costing & Absorption;
(b) List of three items included and two items excluded under the Cost Accounting Standards for Direct Expenses;
(c) Replacement Cost;
(d) How would you treat overtime in cost records as per CAS-7.