

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 [1×10=10]

- A. Idle time is
 - (a) Time spent by workers in factory
 - (b) Time spent by workers in office
 - (c) Time spent by workers off their work
 - (d) Time spent by workers on their job.

- B. Sales Budget is a
 - (a) Expenditure budget
 - (b) Functional budget
 - (c) Master budget
 - (d) None.

- C. Which of the following are direct expenses?
 - (a) The cost of special designs, drawings and layouts
 - (b) The hire of tools or equipment for a particular job
 - (c) Salesman's wages
 - (d) Rent, rates and insurance of a factory.

- D. Variable cost
 - (a) Remains fixed in total
 - (b) Remains fixed per unit
 - (c) Varies per unit
 - (d) Nor increase or decrease.

- E. Continuous stock taking is a part of
 - (a) ABC analysis
 - (b) Annual stock taking
 - (c) Perpetual inventory
 - (d) None of these.

- F. 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.

- G. Directors remuneration and expenses form a part of
 - (a) Production overhead
 - (b) Administration overhead
 - (c) Selling overhead
 - (d) Distribution overhead.

- H. CAS 21 stands for
 - (a) Capacity determination
 - (b) Joint cost
 - (c) Direct expenses
 - (d) None of the above.

- I. Cost of service under operating costing is ascertained by preparing
 (a) Cost sheet
 (b) Process account
 (c) Job cost sheet
 (d) Production account.
- J. A flexible budget requires a careful study of
 (a) Fixed, semi-fixed and variable expenses
 (b) Past and current expenses
 (c) Overheads, selling and administrative expenses
 (d) None of the above.

- B. Match the statement in Column I with the most appropriate statement in Column II: [1×5 =5]

	Column A		Column B
1.	Which budget shows utilisation of liquid cash	A.	Normal output
2.	Cost of normal loss is borne by	B.	Work in progress
3.	Inherent features of process industry	C.	Treated as part of factory expenses
4.	Captive power plant expense	D.	Appropriations only in financial accounts
5.	Donations	E.	Cash Budget

- C. State whether the following statements are True' or 'False': [1x5=5]
- (i) Travelling expenses to site is a direct expense.
 (ii) Finance cost shall form part of direct expense.
 (iii) Goodwill written off appears only in cost accounts.
 (iv) Primary packaging cost is included in distribution cost.
 (v) CAS-5 is for Capacity Determination as issued by the Cost Accounting Standards Board (CASB) of the Institute of Cost Accountants of India.
- D. Fill in the blanks suitably: [1x5=5]
- (i) Wages sheet is prepared by----- department.
 (ii) Ideal time arises only when workers are paid on -----.
 (iii) The formula for computing wages under time rate is-----.
 (iv) Transfer of surplus material from one job or work order is recorded in-----.
 (v) Store ledger is kept and maintained in-----.

Section B

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

2. (a) 200 kg. of a certain material valued at ₹ 50 per kg. were issued from the stores department to the production department. During transit, 2 kg. Physically disappeared due to shrinkage (1% shrinkage is considered normal). In the production process, the yield of good output was 80% of the input. 85 of the input had a slightly substandard dimension and this can be sold as seconds in the market at a discount of 25% of the selling price of good output which is ₹ 300 per kg. 12% of the input emerged as trimmings in the process. This was collected and can be sold in the market at a net price of ₹ 20 per kg. Which is credited to the manufacturing overhead as per the company's practice.
 Explain with reasons the quantities that you will classify as;
 (i) (i) Waste, (ii) Scrap, (iii) Spoilage.
 (ii) What will be the material cost per unit of the good output? (A simply computed value will suffice and a detailed statement is not required). (10)

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- (b) A factory has three production departments A, B and C and also two service departments 'X' and 'Y'. The primary distribution of the estimated overheads in the factory has just been completed. These details and the quantum of service rendered by the service departments, to the other departments are given below:

	A	B	C	X	Y
Primary distribution (₹)	240,000	210,000	250,000	140,00	96,000
Service rendered by					
Dept. X	30%	20%	35%	--	15%
Dept. Y	25%	40%	25%	10%	--

Prepare a statement showing the distribution of service dept. overheads to the production departments, by the simultaneous equation method. (5)

3. (a) State the Objective and Functions of Cost Accounting Standard Board (CASB). (6)

- (b) A tractor manufacturer, who commenced his business on 1st June, 2015 supplies you with the following information and asks for preparing 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 ₹ 240

Wages per set ₹ 80

Selling price per set = ₹600

If the actual works expenses were ₹ 32,160 and office expenses were ₹ 61,800, prepare a Reconciliation Statement. (9)

4. (a) A factory has two production processes. Normal loss in each process is 10% and scrapped units sell for ₹ 0.50 each from process I and ₹ 3 each from process II. Relevant information for costing purposes are as follows:

Direct Materials Added	Process I	Process II
Units	2000	1250
Cost	₹ 8100	₹ 1900
Direct Labour	₹4000	₹ 10,000
Production overhead	150% of direct labour cost	120% of direct labour cost
Output to process II/ Finished goods	1750 units	2800 units
Actual production overhead		₹ 17,800

Workout cost per unit of output and losses. [10]

- (b) Shrijani Ltd. is having a Margin of Safety of ₹ 4 lakhs. Shrijani makes a profit of ₹ 80,000. If its Fixed cost is ₹ 5 lakhs, what will be the Break-Even Sales of Shrijani Ltd.? [5]

5. (a) From the following you are required to calculate:

(i) Material Usage Variance

(ii) Material Price Variance

(iii) Material Cost Variance

Quantity of material purchased	3000 Units
Value of material purchased	₹9000
Standard quantity of material required for one tonne of finished product	25 Units
Standard Rate of material	₹ 2 per unit
Opening Stock of material	Nil
Closing stock of material	500 Units
Finished production during the period	80 tonnes

[10]

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(b) From the following information, calculate Economic Batch Quantity for Excel Ltd; using Batch Costing:

Annual Demand for the components	2400 Units	
Setting up cost per batch	₹ 100	
Manufacturing cost per unit	₹ 200	
Carrying cost per unit	6% p.a.	[5]

6. (a) Production costs of Dehu Manufacturing for the Year 2016 is as follows:

	₹
Direct Wages	80,000
Direct Materials	120,000
Production Overhead, Fixed	40,000
Production Overhead, Variable	60,000

During the forthcoming year it is anticipated that:

- (i) The average rate for direct labour remuneration will fall from ₹ 0.80 per hour to ₹ 0.75 per hour.
 - (ii) Production efficiency will be reduced by 5%.
 - (iii) Price per unit of direct material and of other materials and services which comprise overheads will remain unchanged.
 - (iv) Production in the coming year will increase by 33 1/3%.
- Draw up a production cost budget.

(b) Delta Ltd. manufactures a product and currently utilising 80% of the capacity with a turnover of 32,000 units at a selling price of ₹ 25 per unit. The variable cost of the product is ₹ 17.5 per unit. Fixed cost amounts to ₹ 150,000 up to 80% of level of output and there will be an additional cost of a supervisor amounting to ₹ 20,000 beyond that level.

Calculate:

- (a) Activity level (%) at break-even point
- (b) Number of units to be sold to earn a net income of 10% of sales
- (c) Activity level (%) to earn a profit of ₹ 100,000.

[7+8]

7. (a) 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.

(b) Prepare the journal entries of the following transactions in a double entry cost accounting system:

Particulars	Amount (₹)
Issue of Material: Direct	550,000
Indirect	150,000
Allocation of Wages & Salaries: Direct	200,000
Indirect	40,000

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Overhead absorbed in jobs: Factory	150,000
Administration	50,000
Selling	30,000
Under / Over absorbed overheads: Factory (over)	20,000
Administration	10,000

[7+8]

8. Write short notes on any three of the following: [5x3=15]
- (a) Just-in-Time (JIT)
 - (b) Research and Development Overheads
 - (c) Difference between Joint products and Co products
 - (d) Responsibility Accounting.