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) Selling and Distribution overheads are absorbed on the basis of
(a) Rate per unit
(b) Percentage on works cost
(c) Percentage on selling price of each unit
(d) Any of the above

(ii) In process, conversion cost means
(a) Cost of direct material, direct labour, direct expenses
(b) Direct labour, direct expenses, indirect material, indirect labor, indirect expenses
(c) Prime cost plus factory overheads
(d) All costs up to product reaching the consumer, less direct material costs

(iii) Budget are shown in _____ terms
(a) Qualitative
(b) Quantitative
(c) Materialistic
(d) Both(b) and(c)

(iv) Cost of Idle time arising due to non availability of raw material is
(a) Charged to costing profit and loss A/c
(b) Charged factory overheads
(c) Recovered by inflating the wage rate
(d) Ignored

(v) CAS 21 stands for
(a) Capacity Determination
(b) Joint Cost
(c) Direct Expenses
(d) None of these

(vi) In Reconciliations Statement Expenses shown only in cost account are
(a) Added to financial profit
(b) Deduction from financial profit
(c) Ignored
(d) Deduction from costing profit

(vii) In a job cost system, costs are accumulated
(a) On a monthly basis
(b) By Specific Job
(c) By Department or process
(d) By kind of material used

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

(ix) A firm has fixed expenses ₹ 85,000, sales ₹ 4,00,000 and profit ₹ 75,000.The P/V ratio of the firm is
(a) 18.75%
(b) 21.25%
(c) 40.00%
(d) 88.24%

(x) There is a loss as per financial accounts ₹ 25,500, donations not shown in cost accounts ₹5,500.What would be the profit or loss as per cost accounts.
(a) Loss ₹31,000
(b) Profit ₹ 31,000
(c) Loss ₹ 20,000
(d) Profit ₹20,000

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

Column I		Column II	
(i)	Cost of Utilities	(A)	CAS 19
(ii)	Joint Cost	(B)	CAS-21
(iii)	Quality Control	(C)	CAS-22
(iv)	Royalty And Technical Know How Fee	(D)	CAS 8
(v)	Manufacturing Cost	(E)	CAS-20

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

(i) Cash Discount is generally excluded completely from cost.
(ii) Cost control accounts are prepared on the basis of double entry system.
(iii) Goodwill written off appears only in cost accounts.
(iv) Finance Cost shall form part of Direct Expenses.
(v) By- product may undergo further processing before sale.

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

(i) If the actual loss in a process is less than the normal loss, the difference is known as _____.

(ii) In hospital the cost unit is _____.

(iii) A cost which does not involve any cash outflow is called _____ or _____.

(iv) Margin of safety is sales -- _____.

(v) CAS-2 Deals with Cost Accounting Standard on _____determination.

Section B

Answer any five questions out of seven questions

2. (a) From the following details you are required to value the closing inventory: [10+5=15]

At the end of week 5

(i) FIFO method, (ii) LIFO method and (iii) Weighted Average method of pricing issues.

Opening Balance: Nil
Week 1 Received 2,400 units @ ₹12 per unit;
Week 2 Received 3,600 units @ ₹13 per unit:
Week 3 Issued 1,200 units
Week 4 Received 1,200 units @ ₹14 per unit;
Week 5 issued 3,600 units.

(b) The Standard hours for job Y is 200 hours. The Job has been completed by Amar in 120 hours, Akbar in 140 hours and Anthony in 190 hours. The bonus system applicable to the job is as follows:

Percentage of time saved to time allowed	**Bonus**
Saving up to 10%	10% of time saved
From 11 % to 20%	15% of time saved
From 21% to 40 %	20% of time saved
From 41 % to 100%	25% of time saved

The rate of pay ₹10 per hour. Calculate the total earring of each worker and also the rate of earnings per hour.

3. (a) How would you treat overtime in cost record as per CAS-7. **[6+9=15]**

(b) The following represent the Trading and Profit and Loss Account of a manufacturer of a standard fire extinguisher:

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
To,Mateial used	58,300	By Sales A/c	1,50,000
To, Productive Wages A/c	37,220	By Stock of Finished Goods A/c	3,625
To, Factory Expenses A/c	28,110		
To Gross Profit c/d	41,055	By Work -in-Progress	
		Material	5,600
		Labour	3,120
		Overheads	2,340
	1,64,685		1,64,685
To, Administration expenses A/c	27,300	By Gross Profit b/d	41,055
To Net Profit	13,755		
	41,055		41,055

3,100 Extinguishers were manufactured during the year, and 3,000 were sold during the same period. The cost records showed that Factory overheads work out at ₹16.50 and Administrative overheads at ₹18.125 per article produced: the Cost Accounts showing an estimated total profit of ₹14,062.5 for the year.
From the forgoing information you are required to prepare

(a) Factory Overhead Control of Account
(b) Administration overheads Control Account in costing books and
(c) An account showing reconciliation between the total net profit as per the Cost Accounts and the net profit shown in Financial Books.

4.(a) B Ltd is committed to supply 36,000 bearings per annum to CD Ltd. **[8+7=15]**
On a steady basis. It is estimated that it costs 15 paisa as inventory holding cost per bearing per month and that the set-up cost per run of bearing manufacture is 486.
(a) What would be the optimum run size for bearing manufacture?
(b) What is the minimum inventory holding cost at optimum run size?
(c) Assuming that the company has a policy of manufacturing 9000 bearing per run, how much extra costs would the company be incurring as compared to the optimum run suggested in (a)?

(b) The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of total weight is lost and 10 % is scrap which from processes A and realizes ₹96 per ton and ₹240 per ton respectively. the following are the figures relating to both the processes.

	Process A	Process B
Material in tons	1,200	84
Cost of Materials per ton in rupees	150	240
Wages in rupees	33,600	12,000
Manufacturing Expenses in rupees	9,600	6,300
Output in tons	996	936

Prepare Process Cost Accounts showing cost per ton of each process. There was no stock of work in progress in any process.

5.(a) A hotel has a capacity of 150 single rooms and 30 double rooms. **[8+7=15]**
The average occupancy of both single and double rooms is expected to be 80% throughout the year of 365 days. The rent for the double rooms has been fixed at 125 % of the rent of the single room. The costs are as under:

Variable costs: single room ₹ 330 each day: Double room ₹ 525 each per day.
Fixed cost: ₹74,46,000

Calculate the rent chargeable for single and double rooms per day in such a way that the hotel earns a margin of safety of 20 % on hire of room.

(b) A company is manufacturing building bricks and fire bricks. Both the products require two processes. Brick forming and Heat treatment. The requirements for the two bricks are:

	Building Bricks	**Fire Bricks**
Forming per 200 bricks	6 hrs	4 hrs
Heat treatment per 200 bricks	4 hrs	10 hrs

Total costs of the two departments in one month were:

Forming	₹ 42,400
Heat Treatment	₹ 97,600

Production during the month was:

Building Bricks	2,60,000 No's
Fire Bricks	1,40,000 No's

Prepare statement of manufacturing costs for the two varieties of bricks.

6.(a) A company produces single product which sell ₹40 per unit. **[8+7=15]**
Variable cost is 30 per unit and fixed overhead for the year ₹12, 60,000.
Required:
(i) Calculate sales value needed to earn a profit of 10% on sales.
(ii) Calculate sales price per unit to bring BEP down to 1, 20,000 units.
(iii) Calculate margin of safety sales if profit is ₹ 60,000.

(b) PKN ltd wants to buy a new machine to replace one which I having frequent breakdown. It received offers for two models M1 and M2. Further details regarding these models are given below:

	M1	M2
Installed Capacity (units)	1,00,000	1,00,000
Fixed Overhead per annum(₹)	24,00,000	10,00,000
Estimated profit at the above capacity(₹)	16,00,000	10,00,000

The product manufactured using this type of machine (M1 or M2) is sold ₹100 per unit.
You are required to determine:
(a) Break-even level of sales for each model.
(b) The level of sales at which both the models will earn the same profit.
(c) The model suitable for different level of demand for the product.

7.(a) The details regarding the composition and the weekly wage rate of labour force engaged on a job scheduled to be completed in 30 days are as follows: **[8+7=15]**

Category of worker	Standard		Actual	
	No of worker	weekly wage Rate per Worker(₹)	No of worker	weekly wage Rate per Worker(₹)
Skilled	75	60	70	70
Semi- skilled	45	40	30	50
Un skilled	60	30	80	20

The work is actually completed in 32 days

Calculate the following labour Variances;
(i) Labour Cost Variance;
(ii) Labour Rate Variance;
(iii) Labour efficiency Variance;
(iv) Labour Revised Efficiency Variance;
(v) Labour Mix Variance.

(b) Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%,80% and 90%

Plant Capacity	**At 80% capacity** (₹)
Variable Overhead:	
Indirect labour	18,000
Stores including spares	6,000
Semi Variable:	
Power(30% Fixed: 70% Variable)	30,000
Repairs(60% Fixed: 40% Variable)	3,000
Fixed Overheads;	
Depreciation	16,500
Insurance	4,500
salaries	15,000
Total Overheads	93,000
Estimated Direct labour Hours	2,48,000

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

(a) Just-in-Time(JIT);
(b) Differentiate between Operation Cost & Operating Cost;
(c) Difference Between Job Evaluation and Merit Rating;
(d) Responsibility Accounting.