

Paper 8- Cost Accounting

Paper-8: Cost Accounting

Full Marks: 100

Time allowed: 3 hours

Section - A

Answer the following questions:

1. (a) Choose the correct answer from the given four alternatives: [10 × 1 = 10]
- (i) Cost Unit of Hospital Industry is
- Tonne
 - Student per year
 - Kilowatt Hour
 - Patient Day
- (ii) Depreciation is an example of-
- Fixed Cost
 - Variable Cost
 - Semi Variable Cost
 - None
- (iii) Idle time is
- Time spent by workers in factory
 - Time spent by workers in office
 - Time spent by workers off their work
 - Time spent by workers on their job
- (iv) Over time is
- Actual hours being more than normal time
 - Actual hours being more than standard time
 - Standard hours being more than actual hours
 - Actual hours being less than standard time
- (v) Which of the following items is not included in preparation of cost sheet?
- Carriage inward
 - Purchase returns
 - Sales Commission
 - Interest paid
- (vi) Operating costing is applicable to:
- Hospitals
 - Cinemas
 - Transport undertaking
 - All of the above
- (vii) If sales are ₹90,000 and variable cost to sales is 75%. Contribution is
- ₹21,500
 - ₹22,500
 - ₹23,500
 - ₹67,500

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- (viii) P/V Ratio will increase if the
- There is a decrease in fixed cost
 - There is an increase in fixed cost
 - There is a decrease in selling price per unit
 - There is a decrease in variable cost per unit.
- (ix) Difference between standard cost and actual cost is called as
- Wastage
 - Loss
 - Variance
 - Profit
- (x) Sales Budget is a ...
- Expenditure budget
 - Functional budget
 - Master budget
 - None

(b) Match the statement in Column I with the most appropriate statement in Column II:

[1×5 =5]

Column I		Column II	
(i)	Job Ticket	(A)	A Technique of Inventory Control
(ii)	Escalation Clause	(B)	BEP Chart
(iii)	VED Analysis	(C)	Contract Costing
(iv)	Angle of Incidence	(D)	Labour Cost Plus Factory Overhead
(v)	Conversion Cost	(E)	A Method of Time Booking

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

[1x5=5]

- A flexible budget is one, which changes from year to year
- Variances are calculated for both material and labour.
- Multiple Costing is suitable for the banking Industry.
- Contact costing is variant of job costing
- Closing stock of finished goods should be valued on the basis of cost of sales.

(d) Fill in the blanks suitably:

[1x5=5]

- Administration overheads are usually absorbed as a percentage of _____
- Variable cost per unit is _____
- Bin card shows _____ details of materials.
- Sum of material price variance and material usage variance is equal to _____ variance.
- Contribution earned on Break-even sales equals to _____ of the firm.

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Section - B

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

2. (a) M Two workmen, Gyani and Jeetu, produce the same product using the same material. Their normal wage rate is also the same. Gyani is paid bonus according to the Halsey System, while Jeetu is paid bonus according to the Rowan System. The time allowed to make the product is 40 hours. Gyani takes 25 hours while Jeetu takes 32 hours to complete the product. The factory overheads are charged @ 125% of direct labour cost. The factory cost for the product for Gyani is ₹8,925 and for Jeetu it is ₹9,456. You are required to:
- find the normal rate of wages;
 - find the cost of materials;
 - Prepare a statement comparing the element wise factory cost of the products as made by the two workmen. [21/2+21/2+5=10]

- (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 (₹)	2,40,000	2,10,000	2,50,000	1,40,000	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) How classification of costs is determined under CAS-1 [5]

- (b) The following balances are shown in the Cost Ledger of Spark Ltd. as on 1st October, 2022:

Particulars	Dr. (₹)	Cr. (₹)
Work in progress Account	7,056	
Factory overheads suspense Account	360	
Finished stock Account	5,274	
Stores Ledger Control Account	9,450	
Administration Overheads Suspense A/C	180	
General Ledger Adjustment Account		22,320

Transactions for the year ended 30th September, 2022

Particulars	₹
Stores issued to production	45,370
Stores purchased	52,400
Material purchased for direct issued to production	1,135
Wages paid (including indirect labour ₹2,520)	57,600
Finished goods sold	1,18,800
Administration expenses	5,400
Selling expenses	6,000

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Factory overheads	15,600
Store issued for Capital work-in-Progress	1,500
Finished goods transferred to warehouse	1,08,000
Store issued for factory repairs	2,000
Factory overheads recovered to production	16,830
Administration overheads charged to production	4,580
Factory overheads applicable unfinished work	3,080
selling overheads allocated to sales	5,500
Stores lost due to fire in store (not insured)	150
Administration expenses on unfinished work	850
Finished goods stock on 30.9.2017	14,274

You are required to record the entries in the cost ledger for the year ended 30th September, 2022.

[10]

4. (a) A work order for 100 units of a commodity has to pass through four different machines of which the machine hour rates are: Machine P – ₹ 1.25, Machine Q – ₹ 2.50, Machine R – ₹ 3 and Machine S – ₹ 2.25.

Following expenses have been incurred on the work order – Materials ₹8,000 and Wages ₹500. Machine - P has been engaged for 200 hours. Machine - Q for 160 hours, Machine - R for 240 hours and Machine - S for 132 hours. After the work order has been completed, materials worth ₹ 400 are found to be surplus and are returned to stores. Office overhead used to be 40% of works costs, but on account of all-round rise in the cost of administration, distribution and sale, there has been a 50% rise in the office overhead expenditure. Moreover, it is known that 10% of production will have to be scrapped as not being up to the specification and the sale proceeds of the scrapped output will be only 5% of the cost of sale. If the manufacturer wants to make a profit of 20% on the total cost of the work order, find out the selling price of a unit of commodity ready for sale.

[6]

- (b) A product passes through three processes — A, B and C. 10,000 units at a cost of ₹1.10 were issued to Process A. The other direct expenses were as follows:

	PROCESS-A	PROCESS-B	PROCESS-C
Sundry materials	1,500	1,500	1,500
Direct labour	4,500	8,000	6,500
Direct expenses	1,000	1,000	1,503

The wastage of process: A was 5% and in process B 4%

The wastage of process 'A' was sold at ₹0.25 per unit and that of 'B' at ₹0.50 per unit and that of C at ₹ 1.00.

The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process 'C'.

[9]

5. (a) Hera Transport Service Company is running four (4) buses between two cities, which are 40 kilometres apart. Seating capacity of each bus is 40 passengers. The following particulars are furnished by the company for March 2023:

Particulars	Amount (₹)
Salaries of Office Staff	1,50,000
Wages of drivers, conductors and cleaners	3,60,000
Diesel oil & other Lubricants	3,50,000

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Repairs & Maintenance	1,00,000
Insurance, Taxation etc.	2,60,000
Depreciation	2,50,000
Interest & Other Expenses	2,00,000
Total	16,70,000

Passengers carried were 80% of seating capacity. All buses run on all days of the month. Each bus made one round trip per day.

Find out the cost per passenger – Kilometre. [7]

- (b) New Construction Ltd. is engaged in a contract during the year. Following information is available at the year end.

Particulars	Amount Contract (₹)
Contract price	6,00,000
Material delivered direct to site	1,20,000
Materials issued from stores	40,000
Materials returned to stores	4,000
Materials at site at the end of year	22,000
Direct labour payments	1,40,000
Direct expenses	60,000
Architect's fees	2,500
Establishment charges	24,500
Plant installed at cost	80,000
Value of plant at the end of year	65,000
Accrued wages at the end of year	10,000
Accrued expenses at the end of year	6,000
Cost of contract not certified by architect	23,000
Value of contract certified by architect	4,20,000
Cash received from contractor	3,78,000

During the period, materials amounting to ₹9,000 have been transferred to another contract to another place.

You are required to show the Contract A/c. [8]

6. (a) The sales turnover and profit during two periods were as follows:

Period	Sales (₹)	Profit (₹)
1	3,50,000	20,000
2	4,50,000	40,000

What would be probable trading results with sales of ₹2,80,000? What amount of sales will yield a profit of ₹1,00,000? [7]

- (b) Mr. Young has ₹1,50,000 investment in a business. He wants a 15% profit on his money. From an analysis of recent cost figures, he finds that his variable cost of operating is 60% of sales; his fixed costs are ₹75,000 per year. Show supporting computations for each answer.

- (i) What sales volume must be obtained to break-even?
- (ii) What sales volume must be obtained to his 15% return on investment?
- (iii) Mr. Young estimates that even if he closed the doors of his business he would incur ₹25,000 expenses per year. At what sales would be better off by locking his sales up? [8]

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7. (a) The standard labour complement and the actual labour complement engaged in a week for a job are as under:

	Skilled workers		Semi-skilled workers	Unskilled workers
a) Standard no. of workers in the gang	32	12	6	
b) Standard wage rate per hour (₹)	3	2	1	
c) Actual no. of workers employed in the gang during the week	28	18	4	
d) Actual wage rate per hour (₹)	4	3	2	

During the 40 hour working week the gang produced 1,800 standard labour hours of work. Calculate

- 1) Labour Efficiency Variance
- 2) Mix Variance
- 3) Rate of Wages Variance
- 4) Labour Cost Variance

[9]

- (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]

8. Write short notes on any three of the following:

[5x3=15]

- (a) Cost Centre
- (b) Financial Accounting and Cost Accounting
- (c) Just-in-Time (JIT)
- (d) Limitations of Marginal Costing