

Total No. of printed pages = 11

4 (Sem 1) COAC M1

2015

## COST ACCOUNTING

(Major)

Paper : 1.5

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. Answer the following as directed :  $1 \times 6 = 6$

(a) The main purpose of Cost Accounting is to

(i) Maximise profit

(ii) Minimise losses

(iii) Help management in taking decisions by providing information.

(Select the correct answer)

[Turn over

(b) Cost of goods produced include

- (i) Production cost and work in process
- (ii) Only prime cost
- (iii) Production cost and finished inventory.

(Select the correct answer)

(c) A normal loss is

- (i) due to the nature of process
- (ii) due to the abnormal factors
- (iii) None of the two

(Select the correct answer)

(d) Equivalent production in process represents production

- (i) in terms of completed units
- (ii) production at cost price
- (iii) production of incomplete units

(Select the correct answer)

(e) Weighted average cost method of valuing material issues involves adding all the different prices and dividing by the number of such prices.

(Indicate whether the statement is true or false.)

(f) Labour turnover is calculated by

(i) Number of workers left / average number of workers

(ii) Number of additions / average number of workers

(iii) Number of workers replaced / average number of workers.

(Select the correct answer)

2. Answer the following questions briefly :

$2 \times 5 = 10$

(a) What is the concept of cost ?

(b) State the two reasons of abnormal idle time of labour.

(c) Why is ABC analysis of inventory significant ?



- (d) What is the basic difference between allocation and apportionment of overhead ?
- (e) What is the need for charging inter-process profits ?

3. Answer the following questions :

- (a) Write the differences between Cost Accounting and Financial Accounting. 5
- (b) State the benefits of centralised purchasing system of materials. 5

Or

Following information relating to a type of raw material is available :

Annual demand = 2,400 units

Unit price = ₹ 2.40

Ordering cost per order = ₹ 4.00

Storage cost = 2% per annum

Interest rate = 10% per annum

Lead time = Half month

Calculate EOQ and total inventory cost in respect of the particular material. 5

- (c) What will be the earnings of a worker at 55 paise per hour when he takes 140 hours to do a volume of work for which the standard time allowed is 200 hours. The plan payment of bonus on sliding scale is as under : 5

(i) Within the 1st 10% saving in standard time, bonus is 40% of the time saved.

(ii) Within the 2nd 10% saving in standard time, bonus is 50% of the time saved.

(iii) Within the 3rd 10% saving in standard time, bonus is 60% of the time saved.

(iv) For the rest, the bonus is 75% of the time saved.

- (d) What are the necessities of classification for overhead into Fixed and Variable ? 5

- (e) What is Contract Costing ? Mention the distinguishing features of Contract Accounts. 1+4=5

4. Write in detail the classification of direct and indirect costs. 9



Or

The following are the costing records for the year 2014 of a manufacturer :

	Rs.
Production 1000 units	
Cost of raw materials	20,000
Labour cost	12,000
Factory overheads	8,000
Office overheads	4,000
Selling expenses	1,000

Rate of profit 25% on selling price.

The manufacturer decided to produce 1500 units during the year 2015. It is estimated that the cost of raw material will increase by 20%, the labour cost will increase by 10%, 50% of the overhead charges are fixed and other 50% are variable. The selling expenses per unit will be reduced by 20%. The rate of profit will remain same.

Prepare a Cost Statement for the year 2015, showing the profit and selling price per unit.

5. The following transaction took place in respect of an item of material :

Receipts

	Quantity	Rate (Rs.)
<u>Jan 1</u>		
Opening balance	500 units	@ Rs. 4/-
<u>Jan 5</u>		
Received from vendor	200 units	@ Rs. 4.25/-
<u>Jan 12</u>		
Received from vendor	150 units	@ Rs. 4.10/-
<u>Jan 20</u>		
Received from vendor	300 units	@ Rs. 4.50/-
<u>Jan 25</u>		
Received from vendor	400 units	@ Rs. 4/-

Issues of material were as follows :

Jan 4 - 200 units, Jan 10 - 400 units,  
Jan 15 - 100 units, Jan 19 - 100 units,  
Jan 26 - 200 units, Jan 30 - 250 units.

Issues are to be priced on the principle of Last in first out method.

Write out the Store Ledger Account in respect of the materials for the month of January. 10



Or

What is idle facilities? From the information given below, calculate the idle time cost and present the same in a tabular form when the hourly fixed cost of running the machine is Rs. 8/-.

The capacity usage ratio and the capacity utilisation ratio in respect of a machine for a particular month is 80% and 90% respectively. The available working hours in a month are 200 hours.

The break-up of idle time is as follows :

Waiting for job –	5 hours	
Breakdown –	4 hours	
Waiting for tools –	3 hours	10

6. The net profit of A Co. Limited appeared at Rs. 60,652 as per financial records for the year ending 31st March, 2014. The Cost Books, however showed a net profit of Rs. 86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following facts :

	Rs.
Works overhead under recovered in cost	1,560

	Rs.
Administrative overhead over recovered in costs	850
Depreciation charged in Financial Accounts	5,600
Depreciation recovered in costs	6,250
Interest on investment not included in costs	4,000
Loss due to obsolescence charged in Financial Accounts	2,850
Income tax provided in Financial Accounts	20,150
Bank interest and transfer fee credited in Financial Book	375
Stores adjustment (credit) in financial books.	237
Value of Opening Stock in :	
Cost Accounts	24,800
Financial Accounts	26,300
Valuation of Closing Stock in :	
Cost Accounts	25,000
Financial Accounts	23,000



	Rs.
Interest charged in cost accounts	2,000
Goodwill written off	5,000
Loss on sale of furniture	600

Prepare a statement showing the reconciliation between the figures of net profit as per Cost Accounts and the figures of net profit as shown in the Financial Books. 10

Or

Elucidate the functional classification of overheads. 10

7. What is process costing? Describe the basic feature of process costing. 2+8=10

Or

A. M. Industry Limited has three processes through which its products pass for becoming a finished products. There is a loss of 2% in each process on the total weight put in and 10% is scrap in all processes. The scrap realises Rs. 5/- per ton from process 1. Rs. 7 per ton from process 2 and Rs. 10 per ton from process 3.

The detailed information of various processes is as follows : 10

	Process 1	Process 2	Process 3
Passed to next process	60%	50%	—
Sent to warehouse for sale	40%	50%	100%

	Process 1		Process 2		Process 3	
	Rs.	tons	Rs.	tons	Rs.	tons
Raw materials	150,000	500	24,480	136	7,200	24
Labour cost	27,500		20,600		15,000	
General expenses	12,500		9,200		5,075	

Prepare Process Cost Accounts showing cost per ton at each process.