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4 (Sem-1) COAC M1

2016

COST ACCOUNTING

Paper – 1.5

(Accountancy Major)

Full Marks – 80

Time – Three hours

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

1. Choose the correct option from the following :

1×5=5

(a) An organisational segment or area of activity considered to accumulate cost is termed as —

- (i) cost unit
- (ii) cost centre
- (iii) management unit
- (iv) management centre.

(b) Which method of valuing materials is suitable in times of rising prices ?

- (i) LIFO
- (ii) FIFO
- (iii) HIFO
- (iv) FILO.

[Turn over

(c) Which of the following methods of wage payment do not guarantee a minimum wage to the workers ?

- (i) Halsey Premium Plan
- (ii) Bedeaux Point Plan
- (iii) Taylor's Differential Plan
- (iv) Rowan Premium Plan.

(d) Examine the correctness of the statements given below :

I. Factory overheads can not be associated with a specific product or job.

II. Factory overhead should not be included in the total cost of a product or job.

- (i) Statement I is correct.
- (ii) Statement II is correct.
- (iii) Both the statements I and II are correct.
- (iv) Both the statements I and II are incorrect.

(e) Normal wastage in process costing is classified as :

- (i) Deferred charge
- (ii) Period cost
- (iii) Product cost
- (iv) An extraordinary item.

Answer the following questions : $2 \times 5 = 10$

(a) What is meant by lead time ?

(b) Calculate the wages to be earned by a worker, using straight piece rate system of wage payment, if the normal rate per hour is Rs. 5, standard time per unit is 12 min and in a 40 hours week, the output of the worker is 166 units.

(c) State the meaning of cost drivers.

(d) Pass the journal entry to record materials returned to supplier under integral accounting system.

(e) State two important features of process costing.

Answer any five of the following questions :

$5 \times 5 = 25$

(a) State the characteristics of a good cost accounting system.

(b) Explain the concept of Perpetual Inventory System as a technique of effective material control.

(c) Calculate the earnings of a worker under :

(i) Halsey plan and

(ii) Rowan plan

If the hourly rate of wages guaranteed is 0.50 paise per hour, standard time for producing one dozen articles is 3 hours and the actual time taken by the worker to produce 20 dozen articles is 48 hours.

(d) Distinguish between under-absorption and over-absorption of overheads.

(e) The following information relating to a manufacturing unit is provided :

Input of raw materials in process-I 1,000 units @ Rs. 6 per unit

Direct materials Rs. 5,200

Direct wages Rs. 4,000

Production overheads Rs. 4,000

Actual output 950 units

(to be transferred to Process II)

Normal loss 5%

Value of scrap per unit Rs. 4

Prepare Process – I Account and Normal loss Account as they may appear in the books of accounts.

(f) A manufacturing company disclosed a net loss of Rs. 5,72,000 as per their cost accounts for the year ended March 31st, 2016. The following information was revealed as a result of scrutiny of the figures of both the sets of books :

(i) Factory overhead over-absorbed Rs. 16,000

(ii) Administration overhead under-absorbed Rs. 24,000

(iii) Depreciation charged in financial accounts Rs. 2,20,000

(iv) Depreciation charged in cost accounts Rs. 2,45,000

(v) Income tax provided Rs. 1,50,000

(vi) Interest on loan funds in financial accounts Rs. 2,67,000

(vii) Interest on investments not included in cost accounts Rs. 64,000

(viii) Transfer fees (credit in financial books) Rs. 16,000

(ix) Stores adjustment (credit in financial books) Rs. 8,000

Prepare Memorandum Reconciliation Account.

Or

State the needs for reconciliation of cost and financial accounts.

4. Explain the concept of cost centre. How does cost accounting contribute to the effective and efficient resources allocation in a manufacturing entity ? 3+7=10

Or

The following are the costing records for the year 2016 :

	Opening Rs.	Closing Rs.
Raw materials	29,500	36,000
Work-in-progress :		
Materials	13,600	12,000
Wages	11,000	16,500
Works overheads	6,600	9,900
Finished goods		
200 units @	84 (p.u)	—
Finished goods		
1600 units @	—	84 (p.u)
Purchase of raw materials	Rs. 1,90,000	
Carriage on purchase	Rs. 1,500	
Sale of scrap of raw materials	Rs. 5,000	

Wages paid Rs. 2,97,000.

Works overheads are absorbed @ 60% of direct labour cost.

Administration overheads are absorbed @ Rs. 12 per unit produced.

Selling and distribution overheads are absorbed @ 20% of selling price.

Sales during the year 7,600 units at a profit of 10% on sales price.

Prepare a cost sheet for the year ended 31st March, 2016.

(a) Distinguish between ordering cost and carrying cost of materials. 3

(b) Arun company buys in lots of 500 boxes of an article which is a 3 months supply. The cost per box is Rs. 125 and the ordering cost is Rs. 150. The inventory carrying cost is estimated at 20% of unit value. What is the total annual cost of the existing inventory policy ? How much should be saved by employing EOQ method of material control ? 7

Or

(a) What is meant by material control ? 3

(b) Explain the basic requirement that you are to consider while laying down an efficient system of material control in your organisation.

6. (a) A machine was purchased in January, 2015 for Rs. 5 lakhs. The total cost of all machineries inclusive of the new machine was Rs. 75 lakhs. The following further information are available :

Expected life of the machine : 10 years.

Scrap value at the end of 10 years : Rs. 5,000

Repairs and maintenance for the machine during the year Rs. 2000. Expected number of working hours of the machine per year 4,000 hrs. Insurance premium paid annually for all the machines Rs. 4,500.

Electricity consumption for the machine per hour (@ 75 paise per unit) 25 units. Area occupied by the machine 100 sq.ft, area of departments 1,600 sq.ft. Rent per month of the department Rs. 800. Lighting charges for 20 points for the whole department (three points for the machine) Rs. 120 per month. Compute the machine hour rate for the new machine.

(b) State two basic features associated with the integral system of accounting.

Or

(a) Calculate the earnings of worker Ram and Shyam under straight piece rate system and Taylor's differential piece rate system from the following particulars. Also state the comparative advantages of Taylor's differential piece rate system over straight piece rate system.

Normal rate per hour = Rs. 2.00.

Standard time per unit = 30 seconds.

Differentials to be applied :

80% of piece rate below standard.

120% of piece rate at or above standard.

Ram produces 1,300 units per day and Shyam produces 1,500 units per day.

(b) Write a note on control over overtime work.

7. In process A, 100 units of raw materials were introduced at a cost of Rs. 1,000. The other expenditure incurred by the process was Rs. 700. Of the units introduced, 10% are normally lost