

The Assam Royal Global University, Guwahati
Royal School of Commerce
B. Com. (H) 3rd Semester
Semester End Examination, December 2018
Course Title : Cost Accounting (Major)
Course Code : COM042D305

Time: 3 Hours

Maximum Marks: 70

Note: Attempt all questions as per instructions given.
The figures in the right-hand margin indicate marks.

Section – A

- Q.1.** Attempt **all** questions. (Maximum word limit 50) **2 x 8**
- a. What is Cost Accounting? 2
 - b. Define Cost Centre and its types. 2
 - c. Explain the treatment of interest on capital in cost books of accounts. 2
 - d. Distinguish between Bin Card and Stores Ledger. 2
 - e. State 4 bases of apportionment of overheads. 2
 - f. What is reapportionment of overheads? 2
 - g. Write about the applicability of process costing. 2
 - h. What is Batch costing? 2

Section – B

- Q.2.** Attempt **any two** of the following: 2x7=14
- (a) 'Cost Accounting is an aid to management.' Discuss the main points in support of this statement. 7
- (b) Explain the objectives of Cost Accounting. State the limitations of Cost Accounting. 3+4=7
- (c) The following data is given for XYZ Co.
- | | |
|--|------------------------------------|
| Opening stock of raw materials Rs.14,000 | Works overhead 50% on direct wages |
| Closing stock of raw materials Rs.10,000 | Stores overheads – 10% on cost of |
| Purchases Rs.1,00,000 | materials |
| Direct wages Rs.20,000 | |
- 10% of the products were rejected being not up to specification and a sum of Rs 800 was realized on scrap. 10% of the finished products were found to be defective in manufacture and were rectified by expenditure of additional works overhead charged to the extent of 20% of the direct wages (proportional). 7

- Q.3.** Attempt **any two** of the following: 2x7=14

(a) A consignment consisted of two chemicals A and B. the invoice gave the following data:

Chemical A 4,000 lbs @ Rs. 2.50 per lb Rs. 10,000

Chemical B 3,200 lbs @ Rs. 3.25 per lb Rs. 10,400

Sales Tax Rs. 816

Railway Freight Rs. 384

Total Cost Rs. 21,600

A shortage of 200 lbs in A and 128 lbs in B was noted due to breakages. What stock rate would you adopt for pricing issue if a provision of 5% towards further deterioration? 7

(b) Describe the various methods of pricing issue of materials. Which method would you recommend for adoption in case where prices of raw materials seldom change? 5+2=7

(c) Prepare labour cost per man-day of 8 hours:

- Basic salary Rs. 2 per day
- Dearness Allowance 25 paise per every point over 100 cost of living index for working class. Current cost of living index is 700 points.
- Leave salary 10% of (a) and (b)
- Employer's contribution to Provident Fund 8% of (a), (b) and (c)
- Employer's contribution to State Insurance 2.5% of (a), (b) and (c)
- Expenditure on amenities to labour Rs. 20 per head per mensem
- No. of working days in a month 25 days of 8 hours each

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Q.4. Attempt **any two** of the following: 2x7=14

(a) What do you mean by the term under/over-absorption of overheads? What are its causes? 2+3+2=7

State the accounting treatment for the same.

(b) Compute machine hour rate from the following data for the new machine :

A machine was purchased on 1.1.2017 for Rs.5 lakhs. Total cost of all machinery inclusive of the new machinery was Rs. 75 lakhs.

Expected life of the machine 10 years

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

Repairs and maintenance for machine during year Rs.2,000

Expected number of working hours of machine per year 4,000 hours

Insurance premium annually for all machines Rs.4,500

Electricity consumption for the machine per hour (@75 paise per unit) 25 units

Area occupied by machine 100 sq ft

Rent per month of the department Rs. 800

Lighting charges for 20 points for whole department out of which three points are for the machine Rs. 120 per month

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- (c) Pro Ltd. has three production departments P₁, P₂ and P₃ and two service departments S₁ and S₂.

Rent and rates Rs.5,000

General lighting Rs.600

Indirect wages Rs.1,500

Power Rs.1,500

Depreciation of machinery Rs.10,000

Sundries Rs.10,000

Following details are available:

	Total	P1	P2	P3	S1	S2
Floor space (sq. mt)	10,000	2,000	2,500	3,000	2,000	500
Light points	60	10	15	20	10	5
Direct wages (Rs)	10,000	3,000	2,000	3,000	1,500	500
HP of machines	150	60	30	50	10	-

Apportion cost to various departments on the most equitable basis by preparing a Primary Distribution Summary.

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Q.5. Attempt **any two** of the following:

2x6=12

- (a) How do you ascertain the profit on an incomplete contract?

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- (b) From the following particulars related to Job No. 123, ascertain the total cost and estimated selling price:

Direct Materials 16000

Direct labour 8000

Direct Expenses 1600

Works overheads are recovered on the basis of 50% on prime cost and administrative overheads 10% of working cost. A profit of 10% on total cost is to be added.

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- (c) 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. 602. Of the units introduced 10% are normally lost in the course of manufacture and they possess a scrap value of Rs 3 each. The output of Process A was only 75 units. Prepare Process A account and Abnormal Loss account.

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