Paper 8- Cost Accounting

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Full Marks: 100 **Time allowed: 3 hours**

Section-A

Section A contains Question Number 1. All parts of this question are compulsory.

1. **Answer the following questions**

(a) Choose the most appropriate alternative for the following (you may write only the Roman numeral and the alphabet chosen for your answer): [1x10=10]

(i) Job Costing is used in
(a) Furniture making
(b) Repair shops
(c) Printing press
(d) All of the above

(ii) Which of the following is considered as accounting record?
(a) Bin Record
(b) Bill of material
(c) Stores ledger
(d) None of these

(iii) Time and Motion Study is conducted by the
(a) Time-keeping department
(b) Personnel department
(c) Payroll department
(d) Engineering department

(iv) Royalty paid on sales ₹ 89,000 and software development charges related to product is ₹ 22,000. Calculate Direct Expenses.
(a) ₹ 1,11,100
(b) ₹ 1,11,000
(c) ₹ 1,11,110
(d) ₹ 1,10,000

(v) Directors remuneration and expenses form a part of
(a) Production overhead
(b) Administration overhead
(c) Selling overhead
(d) Distribution overhead

(vi) CAS 21 stands for
(a) Capacity Determination
(b) Joint Cost
(c) Direct Expenses

(d) None of the above

(vii) Absorption means
(a) Charging or overheads to cost centres
(b) Charging or overheads to cost units
(c) Charging or overheads to cost centers or cost units
(d) None of the above

(viii) Cost of service under operating costing is ascertained by preparing:
(a) Cost sheet
(b) Process account
(c) Job cost sheet
(d) Production account

(ix) Variable cost
(a) Remains fixed in total
(b) Remains fixed per unit
(c) Varies per unit
(d) Nor increase or decrease

(x) Materials become key factor, if
(a) Quota restrictions exist
(b) Insufficient advertisement prevails
(c) There is low demand
(d) There is no problem with supplies of materials

(b) Match the following **[5×1=5]**

	Column I		**Column II**
(i)	Shut Down Point (in quantity)	A.	8.33% of salary
(ii)	Captive power plant expense	B.	CAS 14
(iii)	Direct Expenses	C.	Avoidable Fixed Cost/Contribution per unit
(iv)	Pollution Control Cost	D.	Treated as part of factory expenses
(v)	Minimum bonus	E.	CAS 10

(c) Say True or False for the following question: **[5×1=5]**

(i) Flux method is means for measurement of labour turnover.
(ii) Waste and Scrap of material have small realization value.
(iii) Multiple Costing is suitable for the banking industry.
(iv) A key factor or principal factor does not influence the preparation of all other budgets.
(v) P/V ratio remains constant at all levels of activity.

(d) Fill in the blanks: **[5×1=5]**

(i) In motor transport costing two example of fixed cost are __________ and ________.
(ii) Under integrated accounting system, the accounting entry for payment of wages is to debit ___________ and to credit cash.

(iii) The function of CASB is to assists the members in preparations of uniform _________ under various statue.

(iv) In Absorption Costing ___________ cost is added to inventory.

(v) Direct Expenses incurred lump-sum shall be ________________.

Section – B

Answer any five questions from question numbers 2 to 8.

Each question carries 15 marks

2.(a) Bengal Limited, supplies you the following data relating to the week ending 16th March, 2019 for two workers Madan and Gagan:

	Madan	**Gagan**
Work issued (units)	1,500	3,168
Time Allowed	30 minutes per dozen	$2\frac{1}{2}$ hours per gross (1 gross = 144)
Output rejected (units)	400	568
Basic hourly wages rate	₹ 50	₹ 80
Hours Worked	54	48

Bonus is paid @ 2/3 of the basic rate for all time and for all output without deductions for rejected output. The working week is 42 hours, the first 6 hours of overtime being paid at time plus 1/4 and the next 6 hours at time plus ½. Using the above information, compute for each worker

a) No. of bonus hours earned and amount of bonus earned

b) Amount of gross wages

c) Direct wages cost per dozen of finished output when over time is worked—

(i) Regularly throughout the year as company's policy due to labour shortage; and

(ii) Specifically at the customer's request to expedite delivery. **[8]**

2(b) A company has two production departments and two service departments. The data relating to a period are as under:

		Production Departments		**Service Departments**	
		PD 1	**PD 2**	**SD1**	**SD2**
Direct Materials	(₹)	80,000	40,000	20,000	30,000
Direct Wages	(₹)	95,000	50,000	30,000	20,000
Overheads	(₹)	80,000	50,000	40,000	30,000
Power Requirement at Normal capacity operations	(Kwh)	25,000	30,000	15,000	10,000
Actual power consumption during the period	(Kwh)	12,000	20,000	8,000	12,000

The power requirement of these departments is met by a power generation plant. The said plant incurred an expenditure, which is not included above, of ₹ 1,21,875 out of which a sum of ₹ 84,375 was variable and the rest fixed.

After apportionment of power generation plant costs to the four departments, the service department overheads are to be redistributed on the following bases:

	PD1	PD2	SD1	SD2
SD1	50%	40%	-	10%
SD2	60%	20%	20%	-

You are required to:

(i) Apportion the power generation plant costs to the four departments.

(ii) Re-apportion services department cost to production departments. **[7]**

3.(a) List the scope and objective of cost accounting Standard on Determination of Average Cost of Transportation **[8]**

3.(b) Golden globe Limited provides the following particulars for the year 2018.

	(₹)		(₹)
Opening stock of raw materials	35,000	Carriage on goods sold	1,500
Purchase of raw materials	75,000	Rent and rates of Workshop	3,500
Raw materials returned to suppliers	1,500	Fuel, gas, water etc.	1,000
Closing stock of raw materials	17,000	Repairs to plant	600
Wages paid to :		Depreciation on Machinery	1,400
Productive workers	20,000	Office expenses	2,000
Non-productive workers	2,500	Direct chargeable expenses	1,000
Salaries paid to office staff	5,000	Advertising	1,500
Carriage on raw materials purchased	1,500	Abnormal loss of raw materials	3,000
Cash Discounts received	3,000	Loss on sale of investment	5,000

You are required to prepare a cost sheet **[7]**

4.(a) KKR Ltd. undertakes to supply 1,000 units of a component per month of January, February and March. Every month a batch order is opened against which materials and labour costs are booked at actual. Overheads are levied on the basis of labour hours. The selling price is contracted at ₹ 16 per unit.

From the following data, present the cost and profit per unit of each batch order and the overall position of the order for 3,000 units. Labour is paid at the rate of ₹. 2 per hour. The other details are:

Months	Batch Output	Material Cost	Labour Cost	Overheads (₹)	Total Labour hours
January	1,250	6,250	2,500	12,000	4,000
February	1,500	9,000	3,000	9,000	4,500
March	1,000	5,000	2,000	15,000	5,000

[8]

4.(b) Gold beauty soap company obtains four different products namely A,B,C, and D. The data on production and sale of these brands during 2018 is reproduced below:

Brand Name	A	B	C	D
Production & Sales (units)	5,00,000	3,00,000	40,000	70,000
Sale value (₹ Lakhs)	31	15	1.2	2.8

All the above beauty soaps are manufactured jointly up to a particular process. At split off point they are formed into cake-sand packed. The annual cost data were as under.

Direct Material Cost	₹ 40 lakhs
Value added (includes profit at 25% on total cost)	₹ 10 lakhs

Out of the above brands, D is sold in unpacked condition without further processing while other 3 brands further processed at an additional cost:

A	₹ 1,30,000

B	₹ 1,20,000
C	₹ 50,000

You are required to:-

(a) Work out the profit and cost of each brand of soap after allocating joint cost on the basis of Net Realisable value at split up point. (Per unit cost not required).

(b) Find out revised cost and profit on each brand if the company decides to sell all soaps at split up point at following prices: A ₹ 6.00; B ₹ 4.50; C ₹ 1.50 and D ₹ 4.00 per unit.

Assume that for allocation of joint cost net realisable value method is used.

With the working results in (a) and (b) above advise Gold beauty soap company about the processing decision as to which soap to be sold at split of point and which to be processed further so as to maximize profit. Substantiate your decision with suitable costing technique. **[7]**

5. (a) A lodging home is being run in a small hill station with 60 single rooms. The home offers concessional rates during six off-season months in a year. During this period, half of the full-room rent is charged. The management's profit margin is targeted at 20% of the room rent. The following are the cost estimates and other details for the year ending – 31st March, 2018 (assume a month to be of 30 days):

(a) Occupancy during the season is 85%, while in the off season is 15% only:

(b) Expenses: (₹)

(i) Staff Salary(excluding room attendants)	3,20,000
(ii) Repairs to buildings	1,47,000
(iii) Laundry & Linen	73,240
(iv) Interior and Tapestry	1,10,000
(v) Sundry Expenses	95,000

(c) Annual depreciation is to be provided for buildings at 10% and on furniture and equipments at 5% on straight line basis;

(d) Room attendants are paid ₹ 5 per room day on the basis of occupancy of the rooms in a month;

(e) Monthly lighting charges are ₹ 150 per room, except in four months of winter when it is ₹ 60 per room and this cost is on the basis of full occupancy for a month, and

(f) Total investments in the home are ₹ 150 lakhs of which ₹ 80 lakhs relate to buildings and balance for furniture and equipments.

You are required to compute the room rent per day both during the season and off season. **[8]**

(b) A company undertook a contract for construction of a large building complex. The construction work commenced on 1st April, 2018 and the following data are available for the year ended 31st March, 2019.

	(₹ '000)
Contract Price	35,000
Work Certified	20,000
Progress Payments Received	15,000
Materials Issued to Site	8,500
Planning & Estimating Costs	1,000
Direct Wages Paid	4,020
Materials Returned From Site	270
Plant Hire Charges	2,000
Wage Related Costs	500
Site office costs	650
Head Office Expenses apportioned	350
Direct Expenses incurred	1,000

Work Not Certified	150

The contractors own a plant which originally cost ₹ 30 lacs have been continuously in use in this contract throughout the year. The residual value of the plant after 5 years of life is expected to be ₹ 5 lacs. Straight line method of depreciation is in use.

As on 31st March, 2019 the direct wages due and payable amounted to ₹ 2, 50,000 and the materials at site were estimated at ₹ 5,00,000. Required:

(i) Prepare the contract account for the year ended 31st March, 2019.

(ii) Show the calculation of profit to be taken to the profit and loss account of the year. **[7]**

6.(a) The trading results of Raman Limited for the two years have been:

Year	**Sales (₹)**	**Profit (₹)**
2012	5,50,000	20,000
2013	6,00,000	30,000

Compute the following:

(i) P/V ratio;
(ii) Fixed costs;
(iii) Break-even sales;
(iv) Margin of Safety at a profit of ₹ 48,000;
(v) Variable costs during the two year. **[8]**

6(b) The following is the statement of Magma Co. for the month of April.

Amount (₹)

	Products		**Total**
	A	**B**	
Sales	60,000	60,000	1,20,000
Variable costs	42,000	30,000	72,000
Contribution	18,000	30,000	48,000
Fixed Cost			36,000
Net Income			12,000

You are required to compute the P/V ratio for each product and then compute the P/V Ratio, break-even point and net profit for the following assumption.

(i) Sales revenue divided 60% to Product A & 40% to Product B.
(ii) Sales revenue divided 40% to Product A & 60% to Product B.

Also calculate the profit estimated on sales up to ₹ 1,80,000/- p.m. for each of the sales mix provided above. **[7]**

7.(a) From the data given below, calculate the Material Price Variance, Material Usage Variance, Material Mix Variance, Material Cost Variance and Material Sub-Usage Variance:

Raw Material	**Standard**	**Actual**
A	40 Units @ ₹50 per unit	50 Units @ ₹50 per unit
B	60 Units @ ₹40 per unit	60 Units @ ₹45 per unit

[8]

7(b). Production costs of a factory for a year are as follows:

	₹
Direct wages	90,000
Direct Materials	1,29,250
Production Overheads, Fixed	30,000
Production Overheads, Variable	70,000

During the forthcoming year it is anticipated that:

a) The average rate for direct labour remuneration will fall from ₹ 3 per hour to ₹ 2.50 per hour;

b) Production will remain unchanged.

c) Direct labour hours will increase by 25%

The purchase price per unit of direct materials and other materials and services which comprise overheads will remain unchanged. Draw up a budget and compute a factory overhead rate, the overheads being absorbed on a direct wage basis. **[7]**

8. Short note: (any three) **[5×3=15]**

(a) Advantages of Cost Control

(b) Cost Classification by Functions and explain any two

(c) Treatment of Idle time

(d) Uses and applications of Break even Analysis (any five)