Paper 8- Cost Accounting

Paper-8: Cost Accounting

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

Section A

Answer the following questions:

1. Choose the correct answer from the given four alternatives: **[10 ×1 = 10]**

(i) Cost Unit of Hospital Industry is
(a) Tonne
(b) Student per year
(c) Kilowatt Hour
(d) Patient Day

(ii) Which of the following is considered as normal loss of material?
(a) Pilferage
(b) Loss due to accident
(c) Loss due to careless handling of material
(d) None of these

(iii) Idle time is
(a) Time spent by workers in factory
(b) Time spent by workers in office
(c) Time spent by workers off their work
(d) Time spent by workers on their job

(iv) Warehouse expense is an example of
(a) Production overhead
(b) Selling overhead
(c) Distribution overhead
(d) None of above

(v) Which of the following items is not included in preparation of cost sheet?
(a) Carriage inward
(b) Purchase returns
(c) Sales Commission
(d) Interest paid

(vi) Operating costing is applicable to:
(a) Hospitals
(b) Cinemas
(c) Transport undertaking
(d) All of the above

(vii) If sales are ₹90,000 and variable cost to sales is 75%. Contribution is
(a) ₹21,500
(b) ₹22,500
(c) ₹23,500
(d) ₹67,500

(viii) P/V Ratio will increase if the
(a) There is a decrease in fixed cost
(b) There is an increase in fixed cost
(c) There is a decrease in selling price per unit
(d) There is a decrease in variable cost per unit.

(ix) Difference between standard cost and actual cost is called as
(a) Wastage
(b) Loss
(c) Variance
(d) Profit

(x) Sales Budget is a …
(a) Expenditure budget
(b) Functional budget
(c) Master budget
(d) 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]**

(i) A flexible budget is one, which changes from year to year

(ii) Variances are calculated for both material and labour.

(iii) Multiple Costing is suitable for the banking Industry.

(iv) Contact costing is variant of job costing

(v) Closing stock of finished goods should be valued on the basis of cost of sales.

(d) Fill in the blanks suitably: **[1x5=5]**

(i) Administration overheads are usually absorbed as a percentage of _____

(ii) Variable cost per unit is _____

(iii) Bin card shows ____ details of materials.

(iv) Sum of material price variance and material usage variance is equal to _____ variance.

(v) Contribution earned on Break-even sales equals to _____ of the firm.

Section B

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

2.(a) AJC From the following particulars furnished by H/N Bright & Co. Ltd prepares a statement indicating the pricing of issues on the basis of Simple Average Method.

2017, April

March 1 - Purchased 200 units @ ₹20 each.
March 2 - Purchased 100 units @ ₹18 each.
March 5 - Issued 250 units to job P vide M/R No. 10
March 7 - Purchased 200 units @ ₹ 16 each
March 10 - Purchased 300 units @ ₹ 14 each.
March 13 - Issued 200 units to job Q vide M/R No. 16
March 18 - Issued 200 units to job R vide M/R No. 18
March 20 - Purchased 100 units @ ₹ 13 each
March 24 - Issued 150 units to job X vide M/R No. 20.

[9]

(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. **[6]**

3.(a) How do you treat the Idle Time as per CAS-7? **[6]**

(b) The financial records of Modern Manufacture Ltd. reveal the following for the year ended 31-12-20116:

		₹ in '000 ₹
Sales (20,000 units)		4,000
Materials		1,600
Wages		800
Factory Overheads		720
Office and Administrative Overheads		416
Selling and Distribution Overheads		288
Finished Goods (1,230 units)		240
Work-in-progress	48	
Labour	32	
Overheads (Factory)	32	112
Goodwill written off		320
Interest on Capital		32

In the Costing records, factory overhead is charged at 100% wages, administration overhead 10% of factory cost and selling and distribution overhead at the rate of ₹ 16 per unit sold.

Prepare a statement reconciling the profit as per cost records with the profit as per

financial records of the company. **[9]**

4.(a) In a factory following the Job Costing Method, an abstract from the work in process as at 30th September, was prepared as under. **[8]**

Job No.	Materials	Direct Labour	Factory Overheads Applied (₹)
115	1,325	400 Hrs 800	640
118	810	250 hrs 500	400
120	765	300 hrs 475	380
	2,900	1,775	1,420

Materials used in October were as follows:

Material requisitions No.	Job No.	Cost (`)
54	118	300
55	118	425
56	118	515
57	120	665
58	121	910
59	124	720
		3,535

A summary at Labour Hours deployed during October is as under:

Job No.	No. of hours	
	Shop A	Shop B
115	25	25
118	90	30
120	75	10
121	65	-
124	20	10
	275	75
Indirect Labour:		
Waiting for material	20	10
Machine breakdown	10	5
Idle time	5	6
Overtime premium	6	5
	316	101

A shop credit slip was issued in October, which material issued under requisition No. 54 was returned back to stores as being not suitable. A material transfer note issued in October indicated that material issued under requisition No. 55 for Job 118 was directed to Job 124.

The hourly rate in shop A per labour hour is ₹3 while at shop B it is ₹2 per hour. The factory overhead is applied at the same rate as in September: Jobs 115, 118 and 120 were completed in October.

You are asked to compute the factory cost of the completed jobs. It is practice of the management to put a 10% on the factory cost to cover administration and selling overheads and invoice the job to the customer on a total cost plus 20% basis what would be the invoice price of these three jobs?

(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: **[7]**

	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'

5.(a) Hera Transport Service Company is running four (4) buses between two cities, which are 40 kilometers apart. Seating capacity of each bus is 40 passengers. The following particulars are furnished by the company for March 2017:

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
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 – Kilometer. **[8]**

(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. **[7]**

6.(a) The sales turnover and profit during two periods were as follows: **[5]**

Period	Sales (₹)	Profit (₹)
1	2,00,000	20,000
2	3,00,000	40,000

What would be probable trading results with sales of ₹1,80,000? What amount of sales will yield a profit of ₹ 50,000?

(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? **[10]**
(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?

7.(a) A manufacturing concern which has adopted standard costing furnishes the following information.

Standard
Material for 70 Kg of finished product of 100 Kg
Price of materials Re.1 per kg
Actual

Output	2,10,000 kg.
Material used	2,80,000 kg.
Cost of materials	₹ 2,52,000

Calculate:

a. Material Usage Variance
b. Material Price Variance
c. Material cost Variance **[6]**

(b) Prepare a Cash Budget for the three months ending 30th June, 2016 from the information given below:

(a)

MONTH	**SALES** (₹)	**MATERIALS** (₹)	**WAGES** (₹)	**OVERHEADS** (₹)
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

(b) Credit terms are:
Sales / Debtors: 10% sales are on cash, 50% of the credit sales are collected next month and the balance in the following month.
Creditors: Materials 2 months
Wages 1/4 month
Overheads1/2 month.

(c) Cash and bank balance on 1st April, 2016 is expected to be ₹ 6,000.
(d) Other relevant information are:
(i) Plant and machinery will be installed in February 2016 at a cost of ₹ 96,000. The monthly installment of ₹2,000 is payable from April onwards.
(ii) Dividend @ 5% on preference share capital of ₹ 2,00,000 will be paid on 1st June.
(iii) Advance to be received for sale of vehicles ₹ 9,000 in June.
(iv) Dividends from investments amounting to ₹ 1,000 are expected to be received in June. **[9]**

8. Write short notes on any three of the following: **[5x3=15]**

(a) Cost Centre
(b) Limitations of cost accounting System
(c) Cost Accounting Standard on Packing Material Cost
(d) Standard costing Vs Budgetary Control