



## Paper 8- Cost Accounting

## Paper-8: - Cost Accounting

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); 1 X 10 =10

(i) Depreciation is a example of -

- (a) Fixed Cost
- (b) Variable Cost
- (c) Semi Variable Cost
- (d) None of these

(ii) Continuous stock taking is a part of -

- (a) ABC analysis
- (b) Annual Stock taking
- (c) Perpetual Inventory
- (d) None of these

(iii) Labour turnover is measured by

- (a) Number of workers replaced average number of workers
- (b) Number of worker left/number in the beginning plus number at the end
- (c) Number of workers joining/number in the beginning of the period
- (d) All of these

(iv) A manufacturing industry produces product P, Royalty paid on sales is ₹ 47,00 and design charges paid for the product is ₹ 3,000.Compute the Direct Expenses.

- (a) 50,000
- (b) 44,000
- (c) 47,000
- (d) None of these

(v) Warehouse expense is an example of

- (a) Production overhead
- (b) Selling overhead
- (c) Distribution overhead
- (d) None of these

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(vi) Standards deals with the principles and methods of determining depreciation and amortization cost-

- (a) CAS 9
- (b) CAS 12
- (c) CAS 15
- (d) CAS 16

(vii) In Reconciliation Statement Expenses shown only in cost accounts are.

- (a) Added to financial profit
- (b) Deducted from financial profit
- (c) Ignored
- (d) Added to costing profit

(viii) Cost of service under operating costing is ascertained by preparing.

- (a) Hospitals
- (b) Cinemas
- (c) Transport
- (d) All of the above

(ix) If sales are ₹ 3,00,000 and variable cost are ₹ 1,00,000.compute P/V ratio.

- (a) 66.67%
- (b) 100 %
- (c) 133.33%
- (d) 33.33%

(x) Cost of service under operating costing is ascertained by preparing.

- (a) Cost sheet
- (b) Process account
- (c) Job cost sheet
- (d) Production account

**(b) Match the statement in column I with the most appropriate statement in Column II 1X5=5**

	Column I	3	Column II
(i)	Notional Cost	(A)	FSN Analysis
(ii)	Process of classifying Material	(B)	Income credited only in cost account
(iii)	Warehouse rent	(C)	Imputed cost
(iv)	Notional Rent charged to	(D)	Floor area occupied
(v)	In hospital the cost companies, the cost unit is	(E)	Per bed

(c) State whether the following statements are 'True' or 'False'

1X5=5

- (i) A budget manual is the summary of all functional budgets.
- (ii) Margin of safety = Profit/P/V ratio
- (iii) Contact costing is variant of job costing
- (iv) Cost control accounts are prepared on the basis of double entry system.
- (v) Wages paid for abnormal idle time are added to wages for calculating prime cost.

(d) Fill in the blanks

1X5=5

- (i) Profit is the resultant two varying factors viz \_\_\_\_\_ and \_\_\_\_\_.
- (ii) Store Ledger is kept and maintained in \_\_\_\_\_
- (iii) Penalties/damages paid to statutory authorities' \_\_\_\_\_ be form part of Direct Expenses.
- (iv) Direct Material + \_\_\_\_\_ + Direct Expenses = Prime Cost
- (v) The key factor in a budget does not remain the \_\_\_\_\_ every year.

## Section –B

Answer any five questions from question numbers 2 to 8.

Each question carries 15 marks

**2(a)** From the details given below, calculate:

- (i) Re-ordering level
- (ii) Maximum level
- (iii) Minimum level
- (iv) Danger level

Re-ordering quantity is to be calculated on the basis of following information:

- (a) Cost of placing a purchase order is ₹ 40
- (b) Number of units to be purchased during the year is 5,000
- (c) Purchase price per unit inclusive of transportation cost is ₹ 100
- (d) Annual cost of storage per units is ₹ 10
- (e) Details of lead time: Average 10 days, Maximum 15 days, Minimum 6 days.  
For emergency purchases 4 days
- (f) Rate of consumption: Average: 30 units per day, Maximum: 40 units per day

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**(b)** From the following particulars given below compute Machine hour rate for a machine.

- a. Cost ₹ 48,000
- b. Scrap value ₹ 8,000
- c. Estimated Working life 40,000 hours
- d. Estimated cost of repairs and maintenance during the whole life ₹ 4,000
- e. Standard charges of the shop for 4 weekly period ₹ 6,000
- f. Working hours in 4 weekly period 100 hours
- g. No.of machines in the shop each of which is liable for equal charge are 30 machines.
- h. Power used per hour 4 units @ 20p. per unit

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**3(a)** Discuss- Objectives & Functions of the CASB. **[6]**

**(b)** The net profits of a manufacturing company appeared at ₹ 1,29,000 as per financial records for the year ended 31st December, 2016. The cost books however, showed a net profit of ₹ 1,72,920 for the same period. A careful scrutiny of the figures from both the sets of accounts revealed the following facts.

	₹
(i) Income-tax provided in financial books	40,000
(ii) Bank Interest (Cr) in financial books	500
(iii) Work overhead under recovered	3,100
(iv) Depreciation charged in financial records	11,200
(v) Depreciation recovered in cost	12,000
(vi) Administrative overheads over-recovered	1,700
(vii) Loss due to obsolescence charged in financial accounts	5,600
(viii) Interest on Investments not included in cost accounts	8,000
(ix) Stores adjustments (Credit in financial books)	480
(x) Loss due to depreciation in stock value	6,700

Prepare Reconciliation Statement. **[9]**

**4(a)** The data pertaining to Heavy Engineering Ltd. using are as follows at the end of 31.3.2018. Direct material ₹ 11,25,000; Direct wages ₹ 9,37,500; Selling and distribution overhead ₹ 6,56,250 ; Administrative overhead ₹ 5,25,000, Factory overhead ₹4,50,000 and Profit ₹6,09,000.

(i) Prepare a cost sheet showing all the details.

(ii) For 2017-18, the factory has received a work order. It is estimated that the direct materials would be ₹ 15,00,000 and direct labour cost ₹ 9,37,500. What would be the price of work order if the factory intends to earn the same rate of profit on sales, assuming that the selling and distribution overhead has gone up by 15%? The factory recovers factory overhead as a percentage of direct wages and administrative and selling and distribution overheads as a percentage of works cost, based on the cost rates prevalent in the previous year. **[8]**

**(b)** In a factory producing joint products of two varieties, the following data are extracted from the books:

	TOTAL(₹)
Sales of products X and Y	15,00,000
Direct Material	4,50,000
Direct Labour	2,20,000
Variable Overhead(150 % on Labour)	3,30,000
Fixed Overhead	4,00,000

The analysis of sales reveals that the percentage of sale of product X is  $66\frac{2}{3}\%$

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Management contemplates to process further joint products so that they could be sold at higher rates. Facilities for this are available. The additional expenditure for the further process and total sales anticipated at higher selling prices are given below. Make recommendations presenting the affect of the proposal.

	Product X (₹)	Product Y (₹)	Total (₹)
Sales after further processing	12,00,000	6,00,000	18,00,000
Additional material	1,00,000	40,000	1,40,000
Additional direct labour	40,000	16,000	56,000

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**5(a)** Mr. Sohan Singh has started transport business with a fleet of 10 taxis. The various expenses incurred by him are given below:

- (i) Cost of each taxi ₹ 1,12,500
- (ii) Salary of office Staff ₹ 2,250 p.m.
- (iii) Salary of Garage's Supervisor ₹ 3,000 p.m.
- (iv) Rent of Garage ₹ 1,500 p.m
- (v) Drivers Salary (per taxi) ₹ 600 pm.
- (vi) Road Tax and Repairs per taxi ₹ 3,240 p.a.
- (vii) Insurance premium @ 4% of cost p.a.

The life of a taxi is 3,00,000 km. and at the end of which it is estimated to be sold at ₹ 22,500. A taxi runs on an average 4,000 Km. per month of which 20% it runs empty, petrol consumption 9 Km. per litre of petrol costing ₹ 9.45 per litre. Oil and other sundry expenses amount to ₹ 15 per 100 Km.

Calculate the effective cost of running a taxi per kilometre. If the hire charge is ₹ 2.70 per Kilometre, find out the profit that Mr. Shoan may expect to make in the first year of operation.

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**(b)** Kapur Engineering Company undertakes long term contract which involves the fabrication of pre stressed concrete block and the reaction of the same on consumer's life.

The following information is supplied regarding the contract which is incomplete on 31st March, 2019

Cost Incurred	Amount (₹)
Fabrication cost to date:	
Direct material	4,20,000
Direct Labour	1,35,000
Overheads	1,12,500
Erection cost to date	22,500
Total	6,90,000
Total Contract price	12,28,500
Cash received on account	9,00,000
Technical estimate of works completed to date:	
Fabrication: Direct materials	80%
Direct labour and overheads	75%
Erection	25%

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You are required to prepare a statement for submission to the management indicating

- (i) The estimated profit on the completion of the contract.
- (ii) The estimated profit to date on the contract

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6(a) The following results of a company for the last two years are as follows:

Year	Sales(₹)	Profit(₹)
2018	3,00,000	40,000
2019	3,40,000	50,000

You are required to calculate:

- (I) P/V Ratio
- (II) B.E.P
- (iii) The sales required to earn a profit of 80,000
- (iv) Profit when sales are 5,00,000

[8]

(b) A company manufactures scooters and sells it at ₹3,000 each. An increase of 17% in cost of materials and of 20% of labour cost is anticipated. The increased cost in relation to the present sales price would cause at 25% decrease in the amount of the present gross profit per unit.

At present, material cost is 50%, wages 20% and overhead is 30% of cost of sales.

You are required to :

- (i) Prepare a statement of profit and loss per unit at present and;
- (ii) Compute the new selling price to produce the same percentage of profit to cost of sales as before.

[7]

7(a) Using the following information calculate each of three labour variance for each department.

	Dept X	Dept Y
Gross wages direct (₹)	56,160	38,740
Standard hours produced	17,280	12,030
Standard rate per hour (₹)	3	3.40
Actual hours worked	16,400	12,790

[8]

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(b) You are required to prepare a Selling Overhead Budget from the estimates given below:

	Amount(₹)
Advertisement	2,000
Salaries of the Sales Dept	2,000
Expenses of the sales Dept.(Fixed)	1,500
Salesmen's remuneration	6,000
Salesman's and Dearness Allowance- Commission @ 1% on sales affected	

Carriage Outwards: Estimated @ 5% on sales

Agents Commission : 7½% on sales

The sales during the period were estimated as follows:

(a) ₹1,60,000 including Agent's Sales ₹16,000

(b) ₹ 1,80,000 including Agent's Sales ₹ 20,000

(c) ₹2,00,000 including Agent's Sales ₹21,000

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8. Answer any three out of the following four question:

5 X 3 = 15

(a) Cost Control vs Cost Reduction

(b) Objectives of Cost Accountancy

(c) Advantages of perpetual inventory system

(d) Limitation of Standard Costing (any five)

