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) Cost units of Automobile Industry
(a) Cubic meter
(b) Bed night
(c) Number of Call
(d) Number of vehicle

(ii) Which of the following is considered as accounting record?
(a) Bin Card
(b) Bill material
(c) Store Ledger
(d) None of these

(iii) Charging to a cost center those overheads that result solely for the existence of that cost center is known as
(a) Allocation
(b) Apportionment
(c) Absorption
(d) Allotment

(iv) CAS- 13 stands for
(a) Joint Cost
(b) Interest and financing charges
(c) Employee Cost
(d) Cost of service cost centre

(v) Which of the following is not an element of works overhead?
(a) Sales manger's salary
(b) Plant manager's salary
(c) Factory repairman's wages
(d) Product inspector's salary

(vi) Cost Price is not fixed in case of
(a) Cost plus contracts
(b) Escalation clause
(c) De escalation clause
(d) All of the above

(vii) Standard quantity of material for one unit of output is 15 kgs @ 8 per kg.Actual output during a given period is 800 units. The standards quantity of raw material.
(a) 1,200 kgs
(b) 1,600 kgs
(c) 12,000 kgs
(d) None of these

(viii) Which of the following is a long-term budget?
(a) Master Budget
(b) Flexi budget
(c) Cash budget
(d) Capital budget

(ix) Time keeping refers to
(a) Time spent by workers on their job
(b) Time spent by workers in factory
(c) Time spent by workers without work
(d) Time spent by workers on their job

(x) What will be the accounting entry for absorption of factory overhead?
(a) Dr. Works in progress control A/c
Cr.Factory overhead control A/c
(b) Dr. Factory overhead
Cr.Factory Overhead Control A/c
(c) Dr. Factory Overhead Control A/c
Cr.Factory overhead A/c
(d) No entry is required

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

	Column I	3	Column II
(i)	Captive power plant expense	(A)	Costing Profit and Loss A/C
(ii)	Abnormal loss is transferred to	(B)	Decision Package
(iii)	Zero based budgeting	(C)	CAS 6
(iv)	Employee Cost	(D)	Treated as direct expenses
(v)	Material Cost	(E)	CAS 7

(c) State whether the following statements are 'True' or 'False' **1X5=5**

(i) Differential Cost is the change in the cost due to change in activity from one level to another level
(ii) Slow moving material have a high turnover ratio.
(iii) Finance Cost shall form part of Direct Expense.
(iv) CAS 2 Stands for classification of cost.
(v) A flexible budget is one,which changes from year to year.

(d) Fill in the blanks **1X5=5**

(i) _____ cost are historical costs which are incurred in the past.
(ii) Direct Expenses _____ includes imputed cost(shall/shall not)
(iii) In Aborption Costing _____ cost is added to inventory.
(iv) If the actual loss in a process is less than the normal loss,the difference is known as_____.
(v) _____ + Profit =Sales.

Section –B

Answer any five questions from question numbers 2 to 8.

Each question carries 15 marks

2(a) From the following particulars with respect to a particular item of materials of a manufacturing company. calculate the best quantity to order:

Ordering quantities (tone)	Price per ton(₹)
Less than 500	12.00
500 but less than 1,600	11.80
1,600 but less than 4,000	11.60
4,000 but less than 8,000	11.40
8,000 and above	11.20

The annual demand for the material is 8,000 tones. Stock holding cost are 20 % of material cost p.a The Delivery cost per order ₹ 12.00

[8]

(b) The following particulars relate to a processing machine treating a typical material. You are required to calculate the machine hour rate.

The Cost of the machine	₹ 20,000
Estimated life	10 years
Scrap Value	₹2,000
Working time (50 weeks of 44 hrs each)	2,200 hrs
Machine maintenance per annum	200 hrs
Setting up time estimated @ 5 % of total productive time	

Electricity is 15 units per hour @ 20 paise per unit.	
Chemicals required weekly	₹40
Maintenance cost per year	₹ 2,400

Two attendants control the operations of the machine together with 6 other machine, their combined weekly wages are ₹ 280.departmental overhead allocated to this machine annum ₹4,000

[7]

3(a) What are Direct Expenses as defined in CAS-10 (limited Revision 2017)? Also discuss the general principles of its measurement as per CAS-10 (Any five) **[6]**

(b) The following is the Trading and Profit and Loss Account of M/s.Time and trading limited for the year ended 31.12.2018

Dr. Trading and Profit & Loss Account Cr

Particulars	Amount(₹)	Particulars	Amount(₹)
To,Materials consumed	10,62,000	By,Sales (30,00 units)	22,50,000
To.Direct Wages A/c	5,56,500	By,Finished Stock A/c (1,000units)	60,000
To,Works overhead A/c	3,19,500	By,Work -in -progress:	
To,Admn overhead A/c	1,43,250	material	25,500
To, Selling and Distribution overheads A/c	1,70,250	Wages	12,000
To net profit	1,03,500	Works OH	7,500
	23,55,000		23,55,000

Manufacturing a standard unit, the company's cost records show that:

(i) Works overheads have been charged to work-in-progress at 20% on prime cost.
(ii) Administration overheads have been recovered at ₹4.5 per finished unit.
(iii) Selling and distribution overheads have been recovered at ₹ 6 per unit sold.
(iv) The unabsorbed or over absorbed overheads have not been adjusted into costing profit and loss account.

Prepare:
(a) A Costing Profit and Loss Account indicating Net Profit.
(b) A Statement Reconciling the Profit as disclosed by Cost Accounts and that shown in Financial Accounts.

[9]

4(a) A company is manufacturing building bricks and fire bricks.Both the products require two processes. Brick forming and Heat treatment. The requirements for the two bricks are:

	Building Bricks	Fire Bricks
Forming per 100 bricks	3 hrs.	2 hrs.
Hear treatment per 100 bricks	2 hrs.	5 hrs.
Total costs of two departments in one month were:		
Production during the month	42,400	
Building	97,600	
Production during the month was		
Building Bricks	1,30,000	
Fire Bricks	70,000	

Prepare statement of manufacturing costs for the two varieties of bricks

[8]

(b) A product passes through three processes – A,B and C.10,000 units at cost of ₹ 2.20 were issued to Process A. The other direct expenses were as follows;

	Process –A (₹)	Process- B(₹)	Process-C(₹)
Sundry materials	3,000	3,000	3,000
Direct labour	9,000	16,000	13,000
Direct expenses	2,000	2,000	3,004

The wastage of process 'A' was 5 % and in process 'B' 4 %
The wastage of process 'A' was sold at ₹0 .50 per unit and that of 'B' at ₹ 1.00 per unit and that of C at ₹ 2.00.
The overhead charges were 160% of direct labour.The final product was sold at ₹ 20 per unit fetching a profit of 20 % on sales.Find out the percentage of wastage in Process 'C'

[7]

5(a) Union Transport Company supplies the following details in respect of a truck of 5 tonne capacity

Cost of truck	90.000
Estimated life	10 years
Diesel,oil,grease	₹ 30 per trip each way
Repairs and maintenance	₹1,000 p.m
Driver's wages	₹1,000 p.m
Cleaner's wages	₹ 500 p.m
Insurance	₹9,600 per year
Tax	₹4,800 per year
General supervision charges	₹ 9,600 per year

The truck carries goods to and from the city covering a distance of 50 kms.each way.
on outward trip freight is available to the extent of full capacity and on return 20% of capacity.

Assuming that the truck runs on an average 25 days a month, work out:
(a) Operating cost tonne-km
(b) Rate for tonne per trip that the company should charge if a profit of 50 % on freight is to be earned.

[8]

(b) A contractor commenced the work on a particular contract on 1st April, 2018 he usually closes his books of accounts for the year on 31st December of each year. The following information is revealed from his costing records on 31st December, 2018.

	Amount (₹)
Materials sent to site	43,000
Jr. Engineer	12,620
Labour	1,00,220

A machine costing ₹ 30,000 remained in use on site for 1/5th of year. Its working life was estimated at 5 years and scrap value at ₹ 2,000
A supervisor is paid ₹ 2,000 per month and had devoted one half of his time on the contract.
All other expenses were ₹ 14,000 the materials on site were ₹ 2,500.
The contract price was ₹ 4,00,000. On 31st December, 2018 2/3rd of the contract was completed however, the architect gave certificate only for ₹ 2,00,000. On which 80% was paid. Prepare Contract Account.

[7]

6(a) SV Ltd a multi product company furnishes you the following data relating to the year 2018:

	First Half of the year (₹)	Second Half of the year(₹)
Sales	90,000	1,00,000
Total cost	80,000	86,000

Assuming that there is no change in price and variable cost and that the fixed expenses are incurred equally in the two half year perid.Calculate For the period

(i) P/V Ratio
(ii) Fixed Expenses
(iii) Break even Sales
(iv) Percentage of Margin of Safety

[8]

(b) A company has a capacity of producing 1 Lakh unit's of a certain product in a month. The sales department reports that the following schedule of sales prices is possible.

Volume of Production (%)	Selling Price per unit (₹)
60	1.80
70	1.60
80	1.50
90	1.34
100	1.22

The variable cost of manufacture between these levels is 30 paise per unit and fixed cost 80,000.

Prepare a statement showing incremental revenue at each stage. At which volume of production will be the profit be maximum?

[7]

7(a) The Standard set for material consumption was 100 kg @ ₹4.50 per kg.

In a cost period:

Opening stock was 100 kg @ ₹ 4.50 per kg.

Purchases made @ ₹ 4.30 per kg.

Consumption 110 kg

Calculate :i)Usage ii)Price variance

1) When variance is calculated at point of purchase

2)When variance is calculated at point of issue on FIFO basis

3)When variance is calculated at point of issue on LIFO basis

[8]

(b)A chemical company gives you the following standard and actual data of its Chemical No.1456.You are required to calculate the material variance

Standard Data	
450 kg of material A @40 per kg	18,000
360 kg of Material B @ 20 per kg	7,200
810 kg Total	25,200
90 kg Normal loss	
720 kg	25,200
Actual Data	
450 kg of material A @38 per kg	17,100
360 kg of Material B @ 20 per kg	7,920
810 kg Total	25,020
50 kg normal loss	
760 Kg	25,020

[7]

8.Answer any three out of the following four question: **5 X 3 = 15**

(a) "Cost Accounting and Management Accounting are inter-dependent." Do you agree, discuss.

(b) Advantages of Cost Control

(c) What is Economic order Quantity (EOQ) ? State the assumptions underlying EOQ.

(d) What is Responsibility Accounting? Also state the Principles of Responsibility Accounting