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4 (Sem 1) COAC M1

2015

COST ACCOUNTING

(Major)

Paper : 1.5

Full Marks – 80

Time – Three hours

The figures in the margin indicate full marks for the questions.

1. Answer the following as directed : $1 \times 6 = 6$

(a) The main purpose of Cost Accounting is to

(i) Maximise profit

(ii) Minimise losses

(iii) Help management in taking decisions by providing information.

(Select the correct answer)

[Turn over

- (b) Cost of goods produced include
- (i) Production cost and work in progress
 - (ii) Only prime cost
 - (iii) Production cost and finished goods inventory.

(Select the correct answer)

- (c) A normal loss is
- (i) due to the nature of process
 - (ii) due to the abnormal factors
 - (iii) None of the two

(Select the correct answer)

- (d) Equivalent production in process costing represents production

- (i) in terms of completed units
- (ii) production at cost price
- (iii) production of incomplete units

(Select the correct answer)

- (e) Weighted average cost material issues involve different prices and division of such prices.

(Indicate whether the statement is true or false.)

- (f) Labour turnover is calculated as
- (i) Number of workers leaving ÷ Number of workers at the end of the period
 - (ii) Number of additions ÷ Number of workers at the end of the period
 - (iii) Number of workers leaving ÷ Number of workers at the beginning of the period

(Select the correct answer)

2. Answer the following questions

- (a) What is the concept of labour turnover?
- (b) State the two reasons of labour turnover.
- (c) Why is ABC analysis of inventory?

(d) What is the basic difference between allocation and apportionment of overhead ?

(e) What is the need for charging inter-process profits ?

3. Answer the following questions :

(a) Write the differences between Cost Accounting and Financial Accounting. 5

(b) State the benefits of centralised purchasing system of materials. 5

Or

Following information relating to a type of raw material is available :

Annual demand = 2,400 units

Unit price = ₹ 2.40

Ordering cost per order = ₹ 4.00

Storage cost = 2% per annum

Interest rate = 10% per annum

Lead time = Half month

Calculate EOQ and total inventory cost in respect of the particular material. 5

(c) What will be the earned bonus per hour when the actual time taken is 55 paisa per hour when the standard time allowed is 1 hour for a volume of work. The standard time allowed is 1 hour for a volume of work. The payment of bonus on time saved is as under :

(i) Within the 1st 10% time, bonus is 40%

(ii) Within the 2nd 10% time, bonus is 50%

(iii) Within the 3rd 10% time, bonus is 60%

(iv) For the rest, the bonus is saved.

(d) What are the necessities for classifying overhead into Fixed and Variable overheads ?

(e) What is Contract Cost Accounting? Distinguish its distinguishing features from other types of cost accounting.

4. Write in detail the classification of indirect costs.

Or

The following are the costing records for the year 2014 of a manufacturer :

	Rs.
Production 1000 units	
Cost of raw materials	20,000
Labour cost	12,000
Factory overheads	8,000
Office overheads	4,000
Selling expenses	1,000

Rate of profit 25% on selling price.

The manufacturer decided to produce 1500 units during the year 2015. It is estimated that the cost of raw material will increase by 20%, the labour cost will increase by 10%, 50% of the overhead charges are fixed and other 50% are variable. The selling expenses per unit will be reduced by 20%.

The rate of profit will remain same.

Prepare a Cost Statement for the year 2015, showing the profit and selling price per unit.

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5. The following transaction of an item of material :

Receipts

	Quantity
<u>Jan 1</u>	
Opening balance	500 units
<u>Jan 5</u> ✓	
Received from vendor	200 units
<u>Jan 12</u>	
Received from vendor	150 units
<u>Jan 20</u>	
Received from vendor	300 units
<u>Jan 25</u>	
Received from vendor	400 units

Issues of material were as :

Jan 4 ✓ - 200 units, Jan

Jan 15 - 100 units, Jan

Jan 26 - 200 units, Jan

Issues are to be priced on the first in first out method.

Write out the Store Ledger Account for the materials for the month of

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Or

What is idle facilities? From the information given below, calculate the idle time cost and present the same in a tabular form when the hourly fixed cost of running the machine is Rs. 8/-.

The capacity usage ratio and the capacity utilisation ratio in respect of a machine for a particular month is 80% and 90% respectively. The available working hours in a month are 200 hours.

The break-up of idle time is as follows :

Waiting for job –	5 hours	
Breakdown –	4 hours	
Waiting for tools –	3 hours	10

6. The net profit of A Co. Limited appeared at Rs. 60,652 as per financial records for the year ending 31st March, 2014. The Cost Books, however showed a net profit of Rs. 86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following facts :

Works overhead under recovered in cost	Rs.
	1,560

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Administrative overhead over recovered in costs

Depreciation charged in Financial Accounts

Depreciation recovered in costs

Interest on investment not included in costs

Loss due to obsolescence charged in Financial Accounts

Income tax provided in Financial Accounts

Bank interest and transfer fees credited in Financial Book

Stores adjustment (credit) in financial books.

Value of Opening Stock in :

Cost Accounts

Financial Accounts

Valuation of Closing Stock in

Cost Accounts

Financial Accounts

Valuation of Closing Stock Cost Accounts

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	Rs.
Interest charged in cost accounts	2,000
Goodwill written off	5,000
Loss on sale of furniture	600

Prepare a statement showing the reconciliation between the figures of net profit as per Cost Accounts and the figures of net profit as shown in the Financial Books. 10

Or

Elucidate the functional classification of overheads. 10

7. What is process costing? Describe the basic feature of process costing. 2+8=10

Or

A. M. Industry Limited has three processes through which its products pass for becoming a finished products. There is a loss of 2% in each process on the total weight put in and 10% is scrap in all processes. The scrap realises Rs. 5/- per ton from process 1. Rs. 7 per ton from process 2 and Rs. 10 per ton from process 3.

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The detailed information of as follows :

	Process 1
Passed to next process	60%
Sent to warehouse for sale	40%

	Process 1	Pr
	Rs.	tons
Raw materials	150,000	500
Labour cost	27,500	20,
General expenses	12,500	9,

Prepare Process Cost Account at each process.

Prepare Process Cost

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