

2016

COST ACCOUNTING

Paper – 1.5

(Accountancy Major)

Full Marks – 80

Time – Three hours

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

1. Choose the correct option from the following :

1×5=5

(a) An organisational segment or area of activity considered to accumulate cost is termed as —

- (i) cost unit
- (ii) cost centre
- (iii) management unit
- (iv) management centre.

(b) Which method of valuing materials is suitable in times of rising prices ?

- (i) LIFO
- (ii) FIFO
- (iii) HIFO
- (iv) FILO.

[Turn over

- (c) Which of the following methods of wage payment do not guarantee a minimum wage to the workers ?
- (i) Halsey Premium Plan
 - (ii) Bedeaux Point Plan
 - (iii) Taylor's Differential Plan
 - (iv) Rowan Premium Plan.
- (d) Examine the correctness of the statements given below :
- I. Factory overheads can not be associated with a specific product or job.
- II. Factory overhead should not be included in the total cost of a product or job.
- (i) Statement I is correct.
 - (ii) Statement II is correct.
 - (iii) Both the statements I and II are correct.
 - (iv) Both the statements I and II are incorrect.
- (e) Normal wastage in process costing is classified as :
- (i) Deferred charge
 - (ii) Period cost
 - (iii) Product cost
 - (iv) An extraordinary item.

2. Answer the following questions
- (a) What is meant by piece rate system?
 - (b) Calculate the wages payable to a worker using straight piece rate system, if the normal time for a job is Rs. 5, standard time for the job is 40 hours week, and the worker has produced 166 units.
 - (c) State the meaning of process costing.
 - (d) Pass the journal entry for the goods returned to supplier in process costing system.
 - (e) State two important features of process costing.
3. Answer any five of the following questions
- (a) State the characteristics of process accounting system.
 - (b) Explain the concept of process control system as a technique of process control.
 - (c) Calculate the earnings of a worker under (i) Halsey plan and (ii) Rowan plan

If the hourly rate of wages guaranteed is 0.50 paise per hour, standard time for producing one dozen articles is 3 hours and the actual time taken by the worker to produce 20 dozen articles is 48 hours.

(d) Distinguish between under-absorption and over-absorption of overheads.

(e) The following information relating to a manufacturing unit is provided :

Input of raw materials in process-I 1,000 units @ Rs. 6 per unit

Direct materials Rs. 5,200

Direct wages Rs. 4,000

Production overheads Rs. 4,000

Actual output 950 units

(to be transferred to Process II)

Normal loss 5%

Value of scrap per unit Rs. 4

Prepare Process - I Account and Normal loss Account as they may appear in the books of accounts.

(f) A manufacturing company has a net loss of Rs. 5,72,000 as per Profit and Loss Account for the year ended March 31, 2018. The following information is available as a result of scrutiny of the books of accounts :

(i) Factory overhead over-absorbed

(ii) Administration overhead under-absorbed

(iii) Depreciation charge transferred to financial accounts

(iv) Depreciation charge transferred to cost accounts

(v) Income tax provided for

(vi) Interest on loan for purchase of fixed assets included in financial accounts

(vii) Interest on investment included in cost accounts

(viii) Transfer fees (credited to cost accounts) included in financial books

(ix) Stores adjustment (credited to cost accounts) included in financial books

Prepare Memorandum Reconciliation Account.

Or

State the needs for reconciliation of cost and financial accounts.

4. Explain the concept of cost centre. How does cost accounting contribute to the effective and efficient resources allocation in a manufacturing entity ?

3+7=10

Or

The following are the costing records for the year 2016 :

	Opening Rs.	Closing Rs.
Raw materials	29,500	36,000
Work-in-progress :		
Materials	13,600	12,000
Wages	11,000	16,500
Works overheads	6,600	9,900
Finished goods 200 units @	84 (p.u)	—
Finished goods 1600 units @	—	84 (p.u)
Purchase of raw materials	Rs. 1,90,000	
Carriage on purchase	Rs. 1,500	
Sale of scrap of raw materials	Rs. 5,000	

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Wages paid Rs. 2,97,000.

Works overheads are absorbed on labour cost.

Administration overheads are absorbed on per unit produced.

Selling and distribution overheads are absorbed @ 20% of selling price.

Sales during the year 7,60,000 @ 10% on sales price.

Prepare a cost sheet for March, 2016.

5. (a) Distinguish between carrying cost of material and inventory cost.
- (b) Arun company buys in an article which is a cost per box is Rs. 125 is Rs. 150. The inventory is estimated at 20% of total annual cost of the policy ? How much employing EOQ method?

(a) What is meant by material cost?

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- (b) Explain the basic requirement that you are to consider while laying down an efficient system of material control in your organisation.

7

6. (a) A machine was purchased in January, 2015 for Rs. 5 lakhs. The total cost of all machineries inclusive of the new machine was Rs. 75 lakhs. The following further information are available :

8

Expected life of the machine : 10 years.

Scrap value at the end of 10 years : Rs. 5,000

Repairs and maintenance for the machine during the year Rs. 2000. Expected number of working hours of the machine per year 4,000 hrs. Insurance premium paid annually for all the machines Rs. 4,500.

Electricity consumption for the machine per hour (@ 75 paise per unit) 25 units. Area occupied by the machine 100 sq.ft, area of departments 1,600 sq.ft. Rent per month of the department Rs. 800. Lighting charges for 20 points for the whole department (three points for the machine) Rs. 120 per month. Compute the machine hour rate for the new machine.

6/4 (Sem-1) COAC M1 (8) 7000(G)

- (b) State two basic features of an integral system of accounts.

Or

- (a) Calculate the earnings of Shyam under straight piece rate system and Taylor's differential piece rate system. Also state the comparative advantages of Taylor's differential piece rate system over straight piece rate system.

Normal rate per hour : Rs. 10

Standard time per unit : 10 minutes

Differentials to be applied : 80% and 120%

80% of piece rate below standard

120% of piece rate above standard

Ram produces 1,300 units per month

Shyam produces 1,500 units per month

- (b) Write a note on control systems.

7. In process A, 100 units of material were introduced at a cost of Rs. 100. The expenditure incurred by the department for the units introduced, 100 units was Rs. 120.

6/4 (Sem-1) COAC M1 (9)

in the course of manufacture and they possess a scrap value of Rs. 4 each. The output of process A was only 80 units. Prepare necessary accounts as they may appear in the books of accounts.

Also state the meaning of inter-process transfer price in terms of process costing. $8+2=10$

Or

- (a) What is meant by cost-plus-contract ? 5
- (b) State the basic features of batch costing. 5