

2017

**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 options from the following :  
1×10=10

(a) Cost centres are created for \_\_\_\_\_.

(i) inventory valuation

(ii) product pricing

(iii) control and fixation of responsibility

(iv) revenue generation.

[Turn over

- (b) Re-ordering period or lead time means :
- (i) time required to raise purchase requisition
  - (ii) time needed to process an order
  - (iii) time needed to place an order and receive the material
  - (iv) the interval between the date of production and the date of receipt of material.
- (c) For a work order the standard time and time taken are 20 hours and 15 hours respectively. Time rate being Rs. 2 per hour. Total wages payable under Rowan Premium Plan will be :
- (i) Rs. 37.50
  - (ii) Rs. 47.50
  - (iii) Rs. 27.50
  - (iv) Rs. 17.50.
- (d) The charging of discrete, identifiable items of cost to cost centres or cost units is known as \_\_\_\_\_.
- (i) Absorption of overhead
  - (ii) Allocation of overhead
  - (iii) Apportionment of overhead
  - (iv) Alignment of overhead.

- (e) Wage sheet is prepared by \_\_\_\_\_.
- (i) Personnel department
  - (ii) Payroll department
  - (iii) Engineering department
  - (iv) Time-keeping department
- (f) Loss incurred in a contract is transferred to \_\_\_\_\_.
- (i) Profit and Loss account
  - (ii) Contract account
  - (iii) Work certified account
  - (iv) Contractor account
- (g) In Process costing, the cost of work in process is treated as \_\_\_\_\_ in the Profit and Loss Account.
- (i) Unit
  - (ii) Period
  - (iii) Process
  - (iv) Future

(h) The change in costs due to changes in the method of production is known as ———.

- (i) Marginal cost
- (ii) Replacement cost
- (iii) Differential cost
- (iv) Opportunity cost

(i) Which one of the following item is not included in the annual carrying cost of inventory ?

- (i) Insurance cost.
- (ii) Amount of interest payable on the money locked up in the materials.
- (iii) Cost of storage.
- (iv) Cost of staff posted in the purchasing department.

(j) Examine the correctness of the statements given below :

I. Under-absorption of overhead means the amount by which the absorbed overheads fall short of the actual amount of overheads incurred.

II. Over-absorption excess of over actual amount

- (i) Statement
- (ii) Statement
- (iii) Both the correct.
- (iv) Both the incorrect.

2. Answer the following

- (a) State two objective
- (b) If the minimum stock level of raw material units respectively quantity.
- (c) What is meant by
- (d) State two basic pri
- (e) What is meant by

3. Answer any *four* of the following questions :

5×4=20

(a) Distinguish between cost control and cost reduction.

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

The break-up of ideal time is as follows :

Waiting for job ——— 5 hours

Break down ——— 4 hours

Waiting for tools ——— 3 hours

Calculate the ideal time cost when the hourly fixed cost of running the machine is Rs. 8.00.

(c) Explain the concept of ABC system as a technique of effective material control.

(d) ABC Ltd. closed its accounts for the year ended 31st March, 2016. The profit shown in financial accounts is Rs. 3,72,000 and for

the same period profit of Rs. 4,1 both the account balances are appe

	Cost Ac Rs.
Opening stock of raw materials	1,36,0
Closing stock of raw materials	1,10,0
Opening stock of finished goods	2,66,0
Closing stock of finished goods	2,29,0

Additional information  
Accounts :

Loss on sale of mach

Dividend received

Interest received

Prepare a Memorandum

(e) In process B, 75 units of a commodity were transferred from process A at a cost of Rs. 1,310. The additional expenses incurred by the process were Rs. 190. 20% of the units entered are normally lost and sold at Rs. 4 per unit. The output of the process was 70 units. Prepare Process B Account and Abnormal Gain Account.

(f) Write a short note on Absorption of overhead.

4. (i) State the steps involved in the installation of a costing system in a large manufacturing company.

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Or

The books of Avinash Manufacturing Co. presents the following data for the month of April, 2017 :

Direct labour cost Rs. 17,500 being 175% of works overheads.

Cost of goods sold excluding administrative expenses Rs. 56,000.

Inventory accounts showed the following balances :

	1st April Rs.	30th April Rs.
Raw material	8,000	10,600
Work-in-progress	10,500	14,500

6/4 (Sem-1) CAC M1

(8)

Finished goods

Other information :

Selling expenses Rs. 3

General and administrative

Sales for the month R

Compute the value of

also prepare a Cost st

5. (a) X Ltd. is comm

bearings per annu

basis. It is estimat

as inventory holdi

month and that th

bearing manufactu

What would be t

bearing manufactu

inventory holding

(b) What are the va

calculation of EC

6/4 (Sem-1) CAC M1

Or

- (a) What factors are to be considered while adopting a method for the pricing of materials?
- (b) State two advantages of LIFO method of valuing materials.
- 8+2=10
6. A machine is purchased for cash at Rs. 9,200. Its working life is estimated to be 18,000 hours after which its scrap value is estimated at Rs. 200. It is assumed that :
- (i) The machine will work for 1,800 hours annually.
- (ii) The repair charges will be Rs. 1,080 during the whole period of life of the machine.
- (iii) The power consumption will be 5 units per hour at 6 paise per unit.
- (iv) Other annual standing charges are estimated to be :
- (a) Rent of department (machine occupies 1/5th of total space) Rs. 780.
- (b) Light Rs.288 (12 points in the department, 2 points engaged in machine).

6/4 (Sem-1) CAC M1 (10)

7500(W)

- (c) Foreman's sala  
occupied in the
- (d) Insurance premi
- (c) Cotton waste R  
Calculate mach

Or

- (A) Calculate the earning
- (i) Halsey Plan
- (ii) Rowan Plan fro  
lars :
- (a) Hourly rate  
0.50 per ho
- (b) Standard ti  
dozen artic
- (c) Actual time  
produce 2  
hours.

- (B) What could be the  
turnover on cost of

6/4 (Sem-1) CAC M1

7. The following was the expenditure on a contract of Rs. 12,00,000 commenced in April 2015 :

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Materials	Rs. 1,20,000
Wages	Rs. 1,64,000
Plant	Rs. 20,000
General expenses	Rs. 8,000

Cash received on account to 31st March 2016 amounted to Rs. 2,40,000. Retention money is 20% of the work certified, the value of materials in hand at 31st March, 2016 was Rs. 10,000.

Prepare Contract Account showing the position at the end of the year and the amount of the profit which might reasonably be taken to Profit and Loss Account after allowing 10% for depreciation on plant.

Or

- (a) Write a short note on inter-process transfer pricing in terms of process costing. 5
- (b) State the features of a process cost system. 5