Delhi University
B Com Hons Delhi
Paper IX - Cost Accounting 2011

Time : 3 hours

Maximum marks : 75

Note:—The Maximum marks printed on the question paper are applicable for the candidates registered with the School of Open Learning for the B.Com. (Hons.). These marks will, however, be scaled down proportionately in respect of the students of regular colleges, at the time of posting of awards for compilation of result.

Attempt All questions.
Marks are indicated against each question.

Q. 1. (*a*) "Evolution of cost accounting is the outcome of deficiencies in the financial accounting system." Discuss. 10

(*b*) The annual carrying cost of material 'X' is ₹3.6 per unit and its total carrying cost is ₹9,000 per annum. What would be the economic order quantity for material 'X' if there is no safety stock of material 'X'? 5

Or

(*a*) From the following data for 2010, you are required to calculate:

(*i*) Inventory turnover ratio of material A.

(*ii*) The average stock holding of this material in terms of number of days.

	₹
Opening stock 1st April, 2009	20,000
Purchases during the year	1,04,000
Closing stock 31st March, 2010	12,000

(*b*) A company manufactures a special product which requires a component 'Alpha'. The following particulars are available for 2010:

Annual Demand	8,000 units
Cost of placing an order	₹200 per order
Cost per unit of 'Alpha'	₹400
Carrying cost % p.a.	20%

The company has been offered a discount of 4% on the purchase of 'Alpha' provided the order size is 4,000 components at a time.

Required:

(*i*) Calculate Economic Order quantity.

(*ii*) Advise whether the discount offer can be accepted.

Q. 2. Write short notes on any *three* of the following:

(*a*) Capacity cost concepts

(*b*) Overtime—concept and treatment

(*c*) Treatment of packing expenses (primary and secondary)

(*d*) Labour turnover—concept and methods of measurement

(*e*) Reasons for the difference in profit as shown by cost and financial accounts.

15

Or

The following details are related to the work done in Process 'A' of XYZ Company during the month of March, 2009:

	₹
Opening work-in-progress (2,000 units)	
Materials	80,000
Labour	15,000
Overheads	45,000
Materials introduced in Process 'A' (38,000 units)	14,80,000
Direct labour	3,59,000
Overheads	10,77,000
Units scrapped: 3,000 units	
Degree of completion:	
Materials	100%
Labour and overheads	80%
Closing work-in-progress; 2,000 units	
Degree of completion:	
Materials	100%
Labour and overheads	80%

Units finished and transferred to Process 'B': 35,000 units

Normal loss: 5% of total input including opening work-in-progress

Scrapped units fetch ₹20 per piece.

You are required to prepare:

(i) Statement of equivalent production

(*ii*) Statement of cost per equivalent unit

(*iii*) Statement of valuation, and

(*iv*) Process 'A' Account, Normal Wastage Account and Abnormal Wastage/ Effectives Account.

Q. 3. (*a*) A lorry starts with a load of 24 tonnes of goods from station A. It unloads 10 tonnes at station B and rest of goods at station C. It reaches back directly to station A after getting reloaded with 18 tonnes of goods at station C. The distance between A to B, B to C and then from C to A are 270 kms, 150 kms and 325 kms respectively. Compute 'Absolute tonne-kms' and 'Commercial tonne-kms'. 5

(*b*) The following data relate to a manufacturing department for a period:

	Budgeted Data	*Actual Data*
	₹	₹
Direct Material	1,00,000	1,40,000
Direct Labour	2,00,000	2,50,000
Production Overheads	2,00,000	2,30,000
Direct Labour Hours	50,000	62,500
Machine Hours	40,000	50,000

Job ZX was one of the jobs worked on during the period. The actual data relating to this job were:

Direct Material ₹6,000, Direct Labour ₹3,000,

Direct Labour Hours 750 and Machine Hours 750.

Required:

(*i*) Calculate the production overhead absorption rate pre-determined for the period based on:

(1) % direct material cost (2) Machine hours.

(*ii*) Calculate the production overhead cost to be charged to job ZX based on the rates calculated under (*i*) above.

(*iii*) Assuming that a machine hour rate of absorption is used, calculate the under/over absorption for the period and state the appropriate treatment on the accounts. 10

Or

ABC Ltd. has furnished the following information from the financial books for the year ended 31st March, 2009:

Profit & Loss Account

	₹		₹
To Opening stock (500 units at ₹140 each)	70,000	By Sales (10,250 units)	28,70,000
		By Closing stock (250 units at ₹200 each)	50,000
To Material consumed	10,40,000		
To Wages	6,00,000	By Interest	1,000
To Factory overheads	3,79,000	By Rent received	40,000
To Administration overheads	4,24,000		
To Selling expenses	2,20,000		
To Bad debts	16,000		
To Preliminary expenses	20,000		
To Net Profit	1,92,000		
Total	29,61,000	Total	29,61,000

The cost sheet shows the cost of materials at ₹104 per unit and the labour cost at ₹60 per unit. The factory overheads are absorbed at 60% of labour cost and administration overheads at 20% of factory cost. Selling expenses are charged at ₹24 per unit. The opening stock of finished goods is valued at ₹180 per unit.

You are required to prepare:

(*i*) A statement showing profit as per Cost Accounts for the year ended 31st March, 2009; and

(*ii*) A statement showing the reconciliation of profit as disclosed in Cost Accounts with the profit shown in Financial Accounts.

Q. 4. (*a*) Briefly contrast the effect of using FIFO with LIFO methods of pricing material issues from stores. 5

(*b*) Two contracts, commenced on 1st January and 1st July, 2009 respectively, were undertaken by a contractor and their accounts on 31st December 2009 showed the following position:

	Contract I ₹	*Contract II* ₹
Contract price	4,00,000	2,70,000
Expenditure:		
Materials	72,000	58,000
Wages paid	1,10,000	1,12,000
General charges	4,000	2,800
Plant installed	20,000	16,000
Materials on hand	4,000	4,000
Wages accrued	4,000	4,000
Work certified	2,00,000	1,60,000
Cash received in respect thereof	1,50,000	1,20,000
Work done but not certified (at cost)	6,000	8,000

The plant was installed on the date of commencement of each contract, depreciation thereon is to be taken at 10% per annum.

Prepare the Contract Accounts in the tabular form and ascertain the profit or loss to be taken to Profit & Loss Account.

Or

(*a*) What are the advantages of 'Integrated Accounts'? 5

(*b*) A company manufacturing two products furnishes the following data for a year:

Product	*Annual Output (units)*	*Total Machine hours*	*Total number of purchase orders*	*Total number of set-ups*
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under:	₹
Volume related activity costs	5,50,000
Set up related costs	8,20,000
Purchase related costs	6,18,000

You are required to calculate the cost per unit of each product A and B based on:

(*i*) Traditional method of costing using machine hour rate method; and

(*ii*) Activity based costing method;
and comment on the result. 10

Q. 5. Distinguish between any *three* of the following:

(*a*) Allocation and apportionment of overheads.

(*b*) Controllable and uncontrollable cost.

(*c*) Simple and weighted average methods of pricing of issue of materials.

(*d*) Integral and non-integral system of accounting.

(*e*) Casual and outworkers. 5 × 3