

B Com Hons Delhi
Paper IX - Cost Accounting 2012

Time : 3 hours

Maximum marks : 75

Attempt All questions.

Marks are indicated against each question.

- Q. 1. (a) "A cost accounting system that simply records costs for the purpose of fixing sale prices has accomplished only a small part of its mission." Explain. 5
- (b) In manufacturing its products, a company uses three raw materials A, B and C in respect of which the following apply: 10

Raw materials	Usage per unit of product (kg)	Re-order quantity (kg)	Price per kg (₹)	Delivery period (weeks)	Order level (kg)	Minimum level (kg)
A	10	10,000	0.10	1 to 3	8,000	—
B	4	5,000	0.30	3 to 5	4,750	—
C	6	10,000	0.15	2 to 4	—	2,000

Weekly production varies from 175 to 225 units, averaging 200. What would you expect the quantities of the following to be:

- Minimum stock of A
- Maximum stock level of B
- Re-order level of C, and
- Average stock level of A?

Or

- A consignment consisted of two chemicals A and B. The invoice gave the following data:

		₹
Chemical A	4 tonnes at ₹5.00 per kg	20,000
Chemical B	2 tonnes at ₹2.00 per kg	4,000
Sales Tax		1,200
Freight		900
Total		<u>26,100</u>

A shortage of 2 quintals in A and 1 quintal in B was noticed and it was considered normal. What rate per kg would you adopt for pricing issues assuming provision of 20% towards further deterioration? 5

- You are working with a firm of cost consultants. A client having a large manufacturing FMCG Co. comes to you for advice for installing a cost accounting system in his organisation.

What are the basic considerations you would keep in mind in designing a cost accounting system for your client? What are the practical difficulties you perceive on its implementation by your client and how do you propose to overcome the same? 10

- Q. 2. (a) What is labour turnover? How does it affect cost of production? How is it measured and how will you treat its cost in Cost Accounts? 7
- Distinguish between time-keeping and time-booking. What are the various methods of time-keeping and time-booking? Discuss briefly. 8

Or

- In a factory, Ram and Sham produce the same product using the same input of same material and at the same normal wage rate.

Bonus is paid to both of them in the form of normal time wage rate adjusted by the proportion which time saved bears to the standard time for the completion of the product. The time allotted to the product is fifty hours. Ram takes thirty hours and Sham takes forty hours to produce the product. The factory cost of

the product for Ram is ₹3,100 and for Sham ₹3,280. The factory overhead rate is ₹12 per man hour.

Calculate:

- (i) Normal wage rate;
 - (ii) Cost of materials used for the product; and
 - (iii) Input of material, if the unit material cost is ₹16. 10
- (b) A worker takes 9 hours to complete a job on daily wages and 6 hours on a scheme of payment by results. His day rate is 75 paise an hour, the material cost of the product is ₹4 and overheads are recovered at 150% of the total direct wages. Calculate the factory cost of the product under piece-work plan. 5

- Q. 3. (a) A factory is having three production departments A, B and C, and two service departments Boiler-House and Pump-Room. The boiler-house has to depend upon the pump-room for supply of water and pump-room in its turn is dependent on the boiler-house for supply of power for driving the pump. The expenses incurred by the production departments during a period are: A—₹8,00,000; B—₹7,00,000; and C—₹5,00,000. The expenses for boiler-house are ₹2,34,000 and the pump-room are ₹3,00,000.

The expenses of the boiler-house and pump-room are apportioned to the production departments on the following basis:

	A	B	C	B. H.	P. R.
Expenses of boiler-house	20%	40%	30%	—	10%
Expenses of pump-room	40%	20%	20%	20%	—

Show clearly as to how the expenses of boiler-house and pump-room would be apportioned to A, B and C departments. Use algebraical equation. 10

- (b) You are given the following data:

Budgeted Labour hours	8,500
Budgeted Overheads	₹1,48,750
Actual Labour hours	7,928
Actual Overheads	₹1,46,200

Compute:

- (i) overhead absorption rate and
- (ii) the amount of under- or over-absorption of overhead.

Also briefly state how under- or over-absorption of overheads are treated in cost accounts ? 5

Or

- (a) A company manufactures two products, A and B, using common facilities. The following cost data for a month are presented to you:

	A	B
Units produced	1,000	2,000
Direct labour hours per unit	2	3
Machine hours per unit	6	1.5

Q. 5. The following trial balance was extracted on 31st Dec., 2011 from the books of SR Ltd. (Contractors):

	Debit (₹)	Credit (₹)
(1) Share Capital (Shares of ₹10 each)	—	3,51,800
(2) P&L A/c on 1st Jan., 2011	—	25,000
(3) Provision for Dep. on Machinery	—	63,000
(4) Cash received on. A/c (Contract No. 7)	—	12,80,000
(5) Creditors	—	81,200
(6) Land and Building (Cost)	74,000	—
(7) Machinery (Cost)	52,000	—
(8) Bank	45,000	—
(9) Contract No. 7 :		
Materials	6,00,000	—
Direct Labour	8,30,000	—
Expenses	40,000	—
Machinery sent at site	1,60,000	—
	<u>18,01,000</u>	<u>18,01,000</u>

Contract No. 7 commences on 1st Jan., 2011. The contract price is ₹24,00,000 and the contractee has so far paid ₹12,80,000 being 80% of the work certified. The cost of work done since certification is estimated at ₹16,000.

On 31st Dec., 2011, after the above trial balance was extracted, the machinery costing ₹42,000 was returned to store and material then on site was valued at ₹27,000. Provision is to be made for direct labour of ₹600 which is outstanding and for depreciation on machinery at 12.5% on cost.

You are required to prepare the Contract A/c and the Balance Sheet of the company as on 31st Dec., 2011 assuming this was the only contract in hand during the period.

Or

Attempt any *three* of the following:

3 × 5 = 15

- Commonly accepted practices for computation of profit on incomplete contracts.
- Distinction between cost accounting and financial accounting.
- Case for and against inclusion of interest on capital in cost accounts.
- Integrated system of accounting.
- ABC system of inventory control.
- Percentage methods and hourly rate methods of absorption of factory overheads.