B.Com. (Hons.)

COST ACCOUNTING-2017

(School of Open Learning)

Time: 3 hours | *Maximum marks: 55*

Attempt all Questions.

Q. 1. (*a*) Distinguish between Cost Accounting and Financial Accounting. 5

(*b*) A company manufactures a product having a monthly demand of 2000 units. For one unit of finished product, 2kg of a particular item of raw material is needed. The purchase price of the material is ₹20 per kg. The ordering cost is ₹120 per order and the holding cost is 10% per annum. Calculate: 6

(*i*) Economic order quantity, and

(*ii*) Annual cost of purchasing and storage of the raw material at that quantity.

OR

(*a*) Mention the factors which should be considered in installing a costing system in an organization. 5

(*b*) Prepare a Stores Ledger Card, using the FIFO method of issue pricing. on basis of the following information: 6

Sept. 1	Opening stock	20 units @ ₹2
Sept. 10	Issued	10 units
Sept. 15	Purchased	30 units @ ₹4
Sept. 20	Issued	30 units
Sept. 25	Purchased	40 units @ ₹5
Sept. 25	Received back in store	10 units which were issued on 10th Sept.
Sept. 28	Issued	20 units

Q. 2. (a) State the purpose served by Time-keeping and Time-booking records of a factory. 5

(*b*) In a factory, the manufacturing overheads are recovered at a predetermined rate of ₹15 per labour-hour. The total factory overheads incurred and the labour hours actually worked during the year 2013 were ₹40 lakh and 2 lakh labour-hours respectively. Out of 40,000 units produced during the year 2013, 30,000 units were sold.

On analyzing the reasons, it was found that 60% of the unabsorbed overheads were due to defective planning and the rest were attributable to increase in overhead costs.

How would you treat the unabsorbed factory overheads during 2013 in cost accounts? 6

OR

(*a*) What is labour turnover? What are its causes? 5

(*b*) From the following particulars for a particular month, calculate:

(*i*) The amount of cash required for payment of wages for the month, and

(*ii*) Total labour cost to the employer for the month.

Wages for normal hours worked	₹60,500
Wages for overtime work	₹12,200
Leave wages	₹4,700
Employees' PF subscription	₹6,100
Employer's contribution to PF	₹4,400

House rent to be recovered from 30 employees @ ₹100 p.m. 6

Q. 3. (*a*) Calculate Labour Hour Rate from the following: 5

Total No. of workers	100
Working days in a year	300
Working hours per day	8
Idle time	5%
Factory overheads	₹1,14,000
Gift to workers	₹1,000

(*b*) The works cost of a certain article is ₹400 and the selling price is ₹800. The following direct selling and distribution expenses were incurred:

Freight	₹40
Insurance	₹10
Commission	₹60
Packing cases	₹10

The estimated fixed selling and distribution expenses for the year were ₹30,000 and the estimated value of sales for the year was ₹1,50,000.

You are required to calculate the total cost of the article using the method of percentage on sales to recover fixed selling and distribution expenses. 6

OR

A company manufactures two products P and Q using the same equipment and identical process. An extract of the production data for the year 2014 is as follows:

	P	*Q*
Units produced	5,000	7,000
Direct labour hours per unit	1	2
Machine hour per unit	3	1
Total number of set-ups	10	40
Total number of orders handled	15	60

Annual overhead costs are:	₹
Relating to machine activity	2,20,000
Relating to production set-ups	20,000
Relating to order handling	45,000
	2,85,000

You are required to calculate the production overheads to be absorbed per unit of product P and Q using:

(*i*) the traditional absorption costing based upon direct labour hours, and

(*ii*) an activity based costing approach. 11

Q. 4. (*a*) A city municipality arranges for the removal of garbage by means of motor vehicular transport. The following vehicles are maintained:

No. of Vehicles:	30	40
Specifications:	5 tonne lorries	3 tonne lorries

On an average each lorry makes 5 trips a day and in each trip covers an average distance of 6 km. Each lorry carries garbage weighing only 50% of its capacity. Taking an annual average 10% of the lorries are laid up for repairs very day. Assuming that a month consists of 30 days, calculate the cost per tonne-km for removal of garbage if the total monthly operating expenses are ₹2,18,700. 5

(*b*) A company maintains separate cost and financial accounts, and the costing profit for a particular year differed to that revealed in the financial accounts. Profit as per financial accounts was ₹50,000. The following information is available:

(*i*) *Stock Values:*

	Cost A/cs	*Financial A/cs*
Opening stock of raw materials	5,000	5,500
Closing stock of raw materials	4,000	5,300
Opening stock of finished goods	12,000	15,000
Closing stock of finished goods	14,000	16,000

(*ii*) Dividend of ₹1,000 was received by the company.

(*iii*) A machine with net book value of ₹10,000 was sold during the year for ₹8,000.

(*iv*) The company charged 10% interest on its opening capital employed of ₹80,000 to its process costs. You are required to determine the profit as per cost accounts. 6

OR

From the following prepare the process accounts, normal and abnormal wastage accounts and abnormal effectives account. 11

	Process A	*Process B*	*Process C*
Raw materials input (2,000 units)	₹10,000	-	-
Direct wages	5,000	15,000	10,000
Manufacturing overheads	4,680	2,640	3,600

Normal wastage (% of input)	2%	10%	10%
Realisable value of wastage p.u.	₹2	₹10	₹10
Output (Units)	1960	1700	1550

Q. 5. The following information relate to a building contract for ₹10,00,000:

	2012 (₹)	*2013* (₹)
Materials issued	3,00,000	84,000
Plant issued	14,000	2,000
Wages	2,52,000	1,15,000
Overheads	6,000	1,400
Work certified	7,50,000	10,00,000
Work uncertified (cost)	8,000	—
Materials at site at the end	5,000	7,000
Value of the plant at the end of the year	7,000	5,000
Cash received from contractee	6,00,000	10,00,000

You are required to prepare contract account and contractee's account for the two years taking into account such profit for transfer to profit and loss account as you think proper. 11

OR

(*a*) How will you treat profit on incomplete contracts in cost accounts? 5

(*b*) What is meant by 'Inter-locked' and 'Integrated' System of maintaining Cost and Financial Accounts? Which one would you advice to adopt and why? 6