B.Com. (Hons.) Delhi

Cost Accounting – 2017 (May)

(Regular Course under CBCS)

Time: 3 hours *Maximum marks: 75*

Attempt All Questions. All Questions carry equal marks.

Q. 1. (*a*) Enumerate the practical difficulties involved in installing a costing system in a manufacturing concern. 6

(*b*) Journalise the following transactions under the integral accounting system: 9

		(₹)
(*i*)	Raw materials purchased (50% on credit)	3,00,000
(*ii*)	Materials issued to production	2,00,000
(*iii*)	Wages paid to workers	1,00,000
(*iv*)	Factory overheads incurred	40,000
(*v*)	Factory overheads charged to production	50,000
(*vi*)	Administrative expenses allocated to job	24,000
(*vii*)	Finished goods at cost	2,50,000
(*viii*)	Sales (50% credit)	3,75,000

OR

(*a*) "A good system of costing must place the same emphasis on cost control as on cost ascertainment;" Comment. 6

(*b*) The following Profit and Loss Account for the year ending 31st March, 2015 has been extracted from the books of ABC Ltd: 9

Particulars	₹	*Particulars*	₹
To Direct material	20,000	By Sales	45,000
To Direct labour	10,000	By Work in progress	1,300
To Factory expenses	9,500	By Finished stock in hand	2,700
To Administration expenses	5,200	By Net loss	2,000
To Selling & distribution expenses	3,800		
To Interest on capital	1,000		
To Goodwill written off	1,500		
	51,000		51,000

Cost Account manual states that the factory overheads are to be recovered at 100% of direct wages. Administration overheads at 10% of works cost and selling and distribution overheads @ ₹1 per unit sold. The units of product sold and in hand were 4,000 and 257 respectively.

Prepare:

(*i*) Statement of cost and profit as per Cost Accounts.

(*ii*) Reconciliation statement.

Q. 2. (*a*) In a factory working six days in a week, a worker is paid at the rate of ₹200 per day basic plus DA at 120% of basic. He is allowed to take 30 minutes off during his 8 hour shift for meals break and 10 minutes recess for rest. During a week, his card showed that his time was chargeable to:

Job A	14 hrs
Job B	10 hrs
Job C	12 hrs

The time not booked was wasted waiting for a job. In cost accounting how would you allocate the wages of the worker for the week?

(*b*) Vani enterprise requires 90,000 units of a certain item annually. The cost per unit is ₹3, the cost per purchase order ₹300 and the inventory carrying cost ₹6 per unit per year: 9

(*i*) What is economic order quantity?

(*ii*) What should the firm do if the supplier offers discount as below, viz:

Order Quantity	*Discount*
4500—5999	2%
6000 and above	3%

OR

(*a*) The following particulars apply to a factory where X, Y and Z work:

Normal rate per hour	25
Standard output per hour	5

In order to produce 200 units, time taken was as follows (in hours):

X	20 hrs
Y	30 hrs
Z	40 hrs

Calculate earning per worker under Halsey premium system and Rowan premium system. 6

(*b*) Distinguish between:

(*i*) Perpetual and Periodic inventory system

(*ii*) Bin card and Store ledger account. 9

Q. 3. (*a*) Define activity based costing system. Enumerate its special features. 6

(*b*) The following annual charges are incurred in respect of a machine shop where the manual labour is almost nil. There are five identical machines in the shop. Cost of each machine is ₹3,20,000 and the residual value after the expiry of the useful life of 10 years is ₹80,000:

(i) Power consumption p.a. as per meter reading (Each machine uses 10 units of power per hour @ ₹1 per unit) 9

(ii) Repairs and maintenance for five machines p.a. ₹60,000

(iii) Rent and rates for the shop p.a. ₹60,000

(iv) Electricity and lighting for the shop. ₹2,40,000

(v) Supervision: Two supervisors for the shop, salary being ₹10,000 p.m. each. ₹24,000

(vi) Sundry supplies such as lubricating oil, cotton waste etc. for the shop. ₹20,000

(vii) Canteen expenses for the shop p.a. ₹12,000

(viii) Hire purchase annual instalment payable for the machines including ₹6,000 as interest. ₹25,000

You are required to compute the machine hour rate.

OR

(a) XYZ Ltd which absorbs overheads at predetermined rates provides you the following information: 9

	6 ₹
Overheads actually incurred	2,00,000
Overheads absorbed	1,50,000
Goods sold	13,000 units
Stock of finished goods	10,000 units
Stock of work in progress	10,000 units (20% complete)

Unabsorbed overheads were due to rising price levels. How would under-absorbed overheads be treated in cost accounts? Give journal entries for the same.

(b) Explain the following items and state how you would deal with them in accounts:

(i) Interest on capital (ii) Spoilage of material

(iii) Fringe benefits.

Q. 4. Raja Transport Company supplies the following details with respect of a truck of 5 tonne capacity: 15

Cost of truck	₹10,00,000
Estimated life	10 years
Scrap value of truck after 10 years	₹40,000
Diesel, oil, grease etc.	₹200 per trip each way
Repairs and maintenance	₹5,000 per month
Cleaner's wages	₹2,500 per month
Driver's wages	₹5,000 per month
Insurance	₹4,800 per year
Tax	₹2,400 per year
General supervision charges	₹48,000 per year

The truck carries goods to and from city covering a distance of 50 km each way. While going to the city freight is available to the extent of full capacity and on return 20% of capacity.

Assuming that truck runs on an average 25 days a month, Work out:

(*i*) Operating cost per tonne km, and

(*ii*) Rate per trip that the company should charge if profit of 50% on freightage is to be earned.

OR

MG Construction Company is engaged in two contracts, contract number 501 and 601 during the year 2016. The following particulars are obtained at the end of the year 31st December, 2016: 15

	Contract 501 (₹)	*Contract 601 (₹)*
Contract price	3,00,000	2,50,000
Materials issued	80,000	30,000
Materials returned	2,000	1,000
Materials on site	11,000	4,000
Direct labour	75,000	21,000
Direct expenses	33,000	17,500
Establishment expenses	12,500	3,500
Plants installed at cost	50,000	45,000
Value of plant (December 31)	42,500	42,000
Cost of work not yet certified	11,500	5,000
Value of work certified	2,10,000	67,500
Cash received from contractees	1,89,000	62,500
Architect's fees	1,000	500

During the period, materials amounting to ₹4,500 have been transferred from contract 501 to contract 601. The date of commencement of contract number 501 is 1st April and contract number 601 is 1st Sep. You are required to show:

(*i*) Contract accounts, and

(*ii*) Extract from balance sheet as on 31st December, clearly showing the calculation of WIP.

Q. 5. (*a*) Find the equivalent production from the following data under FIFO method: 6

Opening work in progress		2,000 units
Degree of completion:		
Materials	80%	
Labour	60%	
Overheads	60%	
Units introduced		8,000 units
Closing work in progress		3,000 units

Degree of completion:

Materials	80%
Labour	60%
Overheads	60%

Assume there are no process losses.

(*b*) The product of a manufacturing company passes through two processes X and Y and then to finished stock account. It is ascertained that in each process normally 5% of the weight of the output is lost and 10% is scrap, which from Process X realizes ₹80 per tonne and from Process Y ₹200 per tonne. The following data is available relating to both the processes for the month of December 2014: 9

	Process X	*Process Y*
Materials in tonnes	1,000	70
Cost of materials per tonne (₹)	125	200
Wages (₹)	30,000	10,250
Manufacturing expenses (₹)	6,000	5,000
Output in tonnes	830	780

There was no stock or work in progress in any process.

Prepare: (*i*) Process accounts showing cost per tonne of each process.

(*ii*) Abnormal Loss/Gain Account.

OR

(*a*) What is job order costing? What are its special features? Indicate at least two industries suitable for job order costing. 6

(*b*) From the following information prepare a statement showing the cost and profit: 9

	Opening (₹)	*Closing (₹)*
Raw materials	30,000	36,000
Work in progress	31,200	38,400
Finished goods	200 units @ ₹84 p.u	1,600 units

(*ii*) Purchase of raw material ₹1,88,500, carriage on purchases ₹2,500 and sale of scrap of raw material ₹5,000.

(*iii*) Wages ₹2,97,000.

(*iv*) Works overheads are absorbed @ 60% of direct labour cost.

(*v*) Administration overheads are absorbed @ 12 per unit produced.

(*vi*) Selling and distribution overheads are absorbed @ 20% of selling price.

(*vii*) Sales 7,600 units at a profit of 10% on sales price.