B Com Hons Delhi

Cost Accounting – 2015
(Regular Course)

Time: 3 hours *Maximum marks: 75*

Attempt All questions.
All questions carry equal marks.
Use of simple calculator is allowed.

Q. 1. (*a*) Distinguish between controllable and uncontrollable cost. 5

(*b*) XYZ company uses two components A and B for manufacturing a product:

Normal usage 6,000 units per week each
Maximum usage 9,000 units per week each
Minimum usage 3,000 units per week each
Reorder quantity A —48,000 units, B —72,000 units
Reorder period A—4 to 6 weeks, B —2 to 4 weeks

Calculate for each components:

(*i*) Reorder level
(*ii*) Minimum level
(*iii*) Maximum level
(*iv*) Average stock level

10

Or

(*a*) Describe the role of the cost accountant in a manufacturing organisation. 5

(*b*) The Stores Ledger of a manufacturing unit of a company recorded for material S-35 for the month of March, 2015 the following information:

Date	*Receipts*		*Issues*	
March, 2015	*Qty. (Units)*	*Value (₹)*	*Qty. (Units)*	*Value (₹)*
5	500	1,600	—	—
8	200	1,200	—	—
12	—	—	350	1,400
17	250	1,000	—	—
20	200	2,400	—	—
25	—	—	500	3,000
26	500	4,000	—	—
30	—	—	400	2,900

(*i*) State the method of pricing that was employed in the stores ledger and

(*ii*) Complete the stores ledger as per the method followed. 10

Q. 2. (*a*) Explain normal and abnormal process loss. How do you treat this in cost accounts? 5

(*b*) The Managing Director of a small manufacturing concern consults you as to the minimum price at which he can sell the output of one of the departments of the company, which is intended for mass production in future. The Company's records show the following particulars for this department for the preceding year:

Details	₹
Production and Sale (100 units)	80,000
Materials	26,000
Direct Labour	14,000
Direct charges	4,000
Production Overheads	16,000
Administrative Overheads	5,600
Selling Overheads	6,400
Profit	8,000

It is ascertained that 45% of the production overheads fluctuate directly with production and 60% of the selling overheads fluctuate with sales. It is anticipated that the department would produce 6,000 units per annum and that direct labour charges per unit will be reduced by 20%, while the fixed production overheads will increase by ₹8,000. Administrative overheads and fixed selling overheads are expected to show an increase of 25% but otherwise no changes are expected.

Or

(*a*) Distinguish between purchase requisition and material requisition. 5

(*b*) Compute machine hour rate for recovery of overheads for a machine from the following information:

Cost of machine ₹25,00,000

Estimated Salvage value ₹1,00,000

Estimated working life of the machine 10 years

Annual working hours in the factory: 3,000

The Machine requires 400 hours per annum for repairs and maintenance. Setting up time of the machine is 156 hours per annum to be treated as productive time. Cost of repairs and maintenance for whole working life of the machine is ₹3,50,000. Power used is 15 units per hour at a cost of ₹5 per unit. No power is consumed during maintenance and setting-up time. A chemical required for operating the machine is ₹9,880 per annum. Wages of an operator is ₹4,000 per month. The operator devoted one-third of his time to the machine. Annual insurance charges 2 per cent of cost of machine.

Light charges for the department are ₹2,500 per month, having 48 points in all, out of which only 8 points are used at this machine. Other indirect expenses chargeable to the machine are ₹6,500 per month. 10

Q. 3. (*a*) Explain escalation clause in contract accounts. What is the benefit of this clause to contractor? 5

(*b*) The following information relates to the activities of a Production Department in a factory for the week ending on 31-1-2015:

	₹
Material consumed	6,00,000
Direct wages	5,00,000
Departmental Overheads	4,00,000
Labour Hours Worked	20,000
Hours of Machine in Operation	16,000

Relevant data for the Job No. 415 carried out in the department is as under:

Materials Consumed	61,000
Direct wages	44,000
Labour Hours Worked	1,250
Hours of Machine in Operation	800

Prepare a comparative statement of cost of this job, by using the following three methods of absorption of overheads:

(*i*) Direct Labour Hour Rate

(*ii*) Direct Labour Cost Rate and

(*iii*) Machine Hour Rate.

Or

M/s SPA Contractors Ltd. were engaged on one contract during the year. The contract price was ₹50,00,000. The trial balance extracted from their books as on 31st March, 2015 stood as under: 15

Details		*Amount (₹)*	*Amount (₹)*
Share Capital		—	10,00,000
Sundry Creditors		—	1,00,000
Land & Building		4,25,000	
Bank		1,12,500	
Contract Account:	Materials	9,37,500	
	Plant	2,50,000	
	Wages	13,12,500	
	Expenses	62,500	
Cash received being 80% of work certified			20,00,000
Total		**31,00,000**	**31,00,000**

Of the plant and materials charged to contract, Plant costing ₹37,500 and materials costing ₹30,000 was destroyed by an accident. On 31st March, Plant which cost ₹50,000 was returned to the store, the value of materials on site was ₹37,500 and the cost of work done but not yet certified was ₹25,000. Charge 10% depreciation on plant. Prepare Contract Account and Balance Sheet as on 31st March, 2015. 15

Q. 4. (*a*) From the following particulars calculate quarterly labour turnover rate using any of the two methods: 5

Number of workers on payroll:

At the start of the First Quarter of 2014-15	3,500
At the end of the First Quarter of 2014-15	4,000

During the said quarter of the year 50 workers left, 150 were discharged and 560 were recruited. Of those recruited 50 were replacements due to expansion.

(*b*) A transport company is running five buses between Delhi and Tilliar (a Picnic spot in Haryana), covering a distance of 125 kms. The seating capacity of each bus is 50 passengers. The following particulars are obtained from its books for the month of October, 2014:

Details	*Amount* ₹
Wages of drivers, conductors	1,60,000
Salaries of office staff	70,000
Honorarium of accountant	25,000
Diesel, oil etc.	7,50,000
Repairs and Maintenance	32,500
Road Tax and Insurance	50,000
Depreciation	1,50,000
Interest and other charges	1,12,500

Actual passengers carried were 80% of the seating capacity. All the buses ran for 30 days. Each bus made one round trip per day. Find out the fare the company should charge per passenger/km if it wants a profit of 25% on the takings. 10

Following details related to two processes P-1 and P-2 for the month of January, 2015:

Details	*Process P-1*	*Proces P-2*
Total input (units)	80,000 @ ₹5 per unit	2,000 @ ₹10 per unit
Normal Loss (%)	10	4

Additional Cost Incurred (₹):	*Process P-1*	*Process P-2*
Material	—	20,000
Direct labour	70,000	2,50,000
Overheads	50,000	2,20,500
Realisable value of scrap:		
Per unit (₹)	2.00	8.00
Output (Units)	70,000	70,000

The entire output of process P-1 was transferred to process P-2. The entire output of process P-2 was sold @ 720 per unit. Assume there was no opening or closing inventory of any type in either of the process. Prepare necessary accounts for the given period. 5

Q. 5. (*a*) What do you understand by labour turnover? Enumerate the causes of such labour turover. 5

(*b*) What do you mean by absorption of overheads? Discuss the different methods for the absorption of factory overheads. 5

(c) Why there is a need to reconcile the profit disclosed in Financial and Cost account books? Discuss in detail the causes of such differences. 5

Or

Following figures have been extracted from Financial Accounts of PV Limited for the year ending 31st March, 2015:

Details	*Amount* ₹
Direct Material consumption	7,50,000
Productive Wages	4,50,000
Works Overheads	2,40,000
Administrative Overheads	1,05,000
Selling and Distribution Overheads	1,44,000
Bad Debts written off	12,000
Preliminary Expenses written off	8,000
Legal expenses	2,000
Dividend received	20,000
Interest received on bank deposits	3,000
Sales (12,000 units)	18,00,000
Closing stock:	
Finished Goods (400 units)	48,000
Work-in-progress	36,000

The Cost Accounts for the same period show that Direct Material Consumption was ₹8,40,000. Works overheads are recovered @ 20% of Prime Cost. Administrative overheads are recovered @ ₹9 per unit of production. Selling and Distribution overheads are recovered @ ₹12 per unit sold.

Prepare the Trading and Profit & Loss Account as per financial records and cost sheet. Also reconcile the profit shown by two records. 15