Cost Accounting 21/11/17 (13)

Q.P. Code : 19492

[Time: 2½ Hours] **[Marks: 75]**

Please check whether you have got the right question paper.

N.B:
1. All questions are compulsory.
2. Figures to the right indicate full marks allotted to the question.
3. Working Notes should form the part of your answer.
4. Calculate Figures upto two decimal points wherever required.

1. a) Select the most appropriate option and rewrite the full sentence. **(Any Eight)** **8**

1) The purpose of inventory control is _____ .
- To Control flow of raw material
- To Control invention
- To Maintain optimum level of inventory
- None of these

2) When the actual overhead is more than the absorbed overhead. it is called _____ .
- Over absorption
- Under absorption
- Capacity Cost
- None of these

3) Interest on Investment increases _____ .
- Costing profit
- Financial profit
- Financial loss
- Assets

4) Factory overheads are recovered as _____
- % of Direct wages
- % of Cost of production
- % of Sales
- None of the above

5) Variable Costs change ______ .
- With change in fixed cost
- With change in selling price
- Proportionately with the change of output
- None of the above

6) Indirect Costs are known as ______
- Variable Costs
- Fixed Costs
- Overheads
- None of the above

Turn Over

(14)

7) Labour Turnover is measured by ______ .
   - Replacement Method
   - Separation Method
   - Flux Method
   - All of the above

8) Deductions allowed as per Payment of Wages Act include ______.
   - House Rent
   - Income tax
   - P. F. Deductions
   - All of the above

9) Under Perpetual Inventory System, stock is ascertained ______
   - Periodically
   - Continuously
   - At end of the year
   - None of the above

10) Payment to other parties is called as ______.
   - Out of pocket cost
   - Book cost
   - Future cost
   - Postponable cost

b) State whether the following statements are True or False **(Any Seven)** 7

1. Carriage Inwards is an overheads.
2. Abnormal idle time wages are included in the cost of production.
3. The terms 'Allocation' & 'Apportionment' have the same meaning in costing.
4. Financial Accounts give product wise break-up of profit or loss.
5. Cost Accounting is a branch of Financial Accounting.
6. Stores Ledger is maintained in the Cost Accounting department.
7. Purchase Requisition Note is prepared by the Stores department.
8. Reconciliation of Cost and Financial accounts is necessary in case of non-integrated system of accounts.
9. Under / Over absorption of overheads take place only when predetermined rate of overheads is used.
10. Total Cost = Prime Cost + All Indirect Costs.

2. a) Keshav Ltd. has five departments. A, B, C, D are production departments and S is a service department. The expenses incurred during the month of March, 2017 are as follows. **8**

Expenses	Amount (₹)
Rent	25,000
Repairs to Plant	17,500
Depreciation on Plant	11,970
Supervision	39,998
Insurance on Stocks	16,000
Recreation	5,992
Lighting	18,000

The following data are also available in respect of the five departments

Particulars	Departments				
	Production				Service
	A	B	C	D	S
Area (in Sq. Ft.)	1400	1200	1100	900	400
No. of Workers	25	20	10	10	5
Direct Wages (₹)	10,000	8,000	5,000	5,000	2,000
Value of Plant (₹)	20,000	18,000	16,000	10,000	6,000
Value of Stock (₹)	15,000	10,000	5,000	2,000	---
No. of Light Points	14	12	11	9	4

Prepare a Statement showing Primary Distribution of Overheads.

b) From the following information, Prepare Stores Ledger and find out value of Closing Stock as per FIFO Method **7**

Date 2017 Jan.	Transactions	Units	Rate per unit (₹)
1	Balancc	500	40
2	Sales	300	46.5
6	Purchases	800	44
8	Sales	400	47.6
12	Sales	300	48.8
14	Purchases	400	50
26	Sales	600	52.2

Shortage of 15 units was found on 31st Jan. 2017.

OR

2. a) From the following data, calculate 8
   1. Economic Order Quantity by Formula Method
   2. No. of orders to be placed

Annual demand	10,000 units
Interest on locked up capital	20%
Order processing cost for each order	₹ 25
Inspection cost per order	₹ 10
Follow up cost for each order	₹ 15
Pilferage while holding inventory	5%
Other holding cost	15%
Cost per unit	₹ 10

b) From the following information, Calculate the machine hour rate for the machine. 7

Particulars.	₹
Purchase price of machine	5,00,000
Installation charges	40,000
Rent per quarter	20,000
General lighting for the total area per month	3,000
Insurance premium for machine (per annum)	6,000
Foreman's salary (per annum)	2,40,000
Estimated Repairs for machine (per annum)	20,000

Power 2 units per hour @ ₹ 500 per 1,000 units. Estimated life of machine is 10 years and estimated value at end of the 10th year is ₹ 1,00,000.

The machine is expected to run 20,000 hours in its life time. The machine occupies 1/4th of the total area. The foreman devotes 1/4th of his time for this machine.

3. Mr. Ashish, an employee of the company gets the following emoluments and benefits: 15

Basic wages	₹ 40,000 per month
Dearness allowance	90% of basic
Employee's contribution to provident fund	12% of basic
Cost of amenities	₹600 per month
Bonus	10% of basic
Other allowances	₹ 45,000 p.a.

He works for 2,800 hours per annum, out of which 800 hours are normal idle time. Employer's Contribution to P.F. is at equal rate with employees' contribution. Amar worked 40 effective hours on a job - 'A' where the cost of direct material is ₹ 60,000 and overheads are 50% of combined cost of material and labour. The sale value of job is quoted to earn profit 20% on sales.

You are required to find out Mr. Ashish's total earnings, Effective hourly cost of Mr. Ashish and the Expected sales value of job - 'A'

OR

3. a) A Company is having three production departments namely, A, B & C and two service departments X and Y. The expenses incurred during the month of Dec 2016 are as follows: 8

Expenses	Amount (₹)
Supervision	300,000
Fire Insurance on stock	100,000
Motive Power	180,000
Electric Lighting	60,000
Rent and taxes	100,000
Repairs and Maintenance	170,000
Depreciation on Plant	85,000

The following formation is also available for above departments:

Particulars		Production Departments			Service Depts.	
		A	B	C	X	Y
Floor space (Sq. ft.)		1500	1000	900	500	100
No. of workers		200	100	100	150	50
H.P. of Machine		80	50	20	-----	-----
Direct Wages	₹	30,000	20,000	20,000	10,000	10,000
Value of Plant	₹	120,000	90,000	60,000	30,000	40,000
Value of Stock	₹	1,50,000	90,000	60,000	-----	-----
Light Points		40	20	20	10	10

Prepare a Statement showing Primary Distribution of Overheads.

b) A Worker worked in a factory and he is getting his wages where company is following Halsey Method (50%) of Remuneration. A worker's weekly wages is ₹ 1440 for 48 hours plus a cost of living bonus is ₹ 10 per hour. He is given task which he is expected to complete in 8 hours. He could complete that task in 7 hours. What would be his total hourly rate of earnings? Also calculate his total earnings if company would have opted Rowan Plan. 7

4. Following particulars have been taken from the books of Heena Manufacturing Co. Ltd. for the year ended 31st March 2017 **15**

Particulars	Amount ₹
Purchases of Raw Materials	4,50,000
Direct wages	3,00,000
Power	50,000
Depreciation on Plant	20,000
Rent on Factory Building	25,000
Sales	30,00,000
Opening stock of Raw Materials	20,000
Opening stock of Finished Goods (1,000 Units)	2,50,000
Office salary	5,00,000
Depreciation on Office Buildings	20,500
Office Sundry expenses	50,500
Purchase of Plant	10,00,000
Interest Received on Investments	50,000
Expenses on Delivery Van	90,000
Cost of Catalogues	13,500
Income tax paid	20,000
Show Room Expenses	22,500
Closing stock of Raw Materials	25,000

During the year 10,000 Units were produced out of which 2,000 Units remain unsold. Prepare Cost Sheet and show total and per unit cost. Also show total profit and per unit profit.

OR

4. Following is the Profit & Loss Account of Deo Ltd. for the year ended 31-03-2017. **15**

Profit & Loss Account

For the year ended 31-03-2017

Particulars	Amount ₹	Particulars	Amount ₹
To Materials consumed	20,00,000	By Sales (12,000 units)	48,00,000
To Wages	7,54,000	By Closing Stock of Finished Goods(3000units)	6,60,000
To Manufacturing Expenses	5,46,000	By Interest on Investment	1,70,000
To Office Expenses	5,25,000	By Profit on Sale of Assets	2,00,000
To Selling & Distribution Exp.	9,60,000		
To Goodwill written off	1,40,000		
To Income Tax	75,000		
To Net Profit	8,30,000		
	58,30,000		58,30,000

(19)

The Cost accounts record for the above period showed the following :

1. Material consumed @ ₹ 100 per unit produced.
2. Selling and distribution overheads were absorbed @ ₹ 70 per unit sold.
3. Direct wages @ ₹ 60 per unit produced.
4. Office overheads were absorbed @ ₹ 50 per unit produced.
5. Manufacturing overheads were absorbed @ 20% of Prime cost.

You are required to prepare the detailed Cost Sheet for the year ended 31-03-2017 and a Statement of Reconciliation.

5. a) What do you mean by Material Control? What are its objectives? **8**

b) Distinguish between Financial Accounting and Cost Accounting. **7**

OR

5. Write Short notes on (Any Three) **15**

a) Functional Classification of Overheads

b) Gantt's Task Bonus Plan

c) ABC Analysis of Inventory Control

d) Stock Levels

e) Cost Centre
