TYBCom / Sem-V / AHT (100 marks) 21/05/2019

Paper / Subject Code: 23107 / Financial Accounting and Auditing VIII - Cost Accounting

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[3 Hours] [Total Marks : 100]

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** wherever **necessary** should form **part of your answer**.
4. **Calculate** figures upto two **decimal points** wherever **required**.

1. a) Select the most appropriate option and rewrite the sentence **(Any Ten)** : **(10)**

1) ______ cost is unaffected by the change in output.
- Period
- Variable
- Fixed
- None of the above

2) The cost which does not involve any cash outlay is ______.
- Relevant cost
- Book cost
- Sunk cost
- Imputed cost

3) A written request to a supplier for specified goods at an agreed upon price is called as ______.
- Purchase requisition
- Receiving report
- Purchase order
- Material requisition form

4) Order should be placed with the supplier when the inventory touches ______.
- Maximum level
- Minimum level
- Danger level
- Re-order level

5) The method of time booking include ______.
- Time clock
- Attendance register
- Daily time sheet
- None of the above

6) Difference between attendance time and job time is ______.
- Actual time
- Overtime
- Standard time
- Idle time

7) The allocation of whole items of cost, to cost unit is called ______.
- Cost classification
- Cost centre
- Over absorption
- Cost allocation

8) Salary of a foreman should be classified as a ______.
- Variable overhead
- Fixed overhead
- Office overheads
- Semi-fixed overhead

9) Selling and distribution overheads are absorbed on the basis of ______.
- % on works cost
- Rate per unit
- % on selling price of each unit
- None of these

10) Drawings office salaries is a ______.
- Factory overheads
- Selling overheads
- Office overheads
- Distribution overheads

11) Interest on bank deposits is ______.
- Credited to costing P & L a/c
- Debited to financial P & L a/c
- Debited in costing P & L a/c
- Credited in financial P & L a/c

12) In reconciliation statement, transfer to reserve are ______.
- Deducted from financial a/c
- Added to costing profit
- Added to financial profit
- Ignored

1. b) State whether the following statements are True or False **(Any Ten)** : **(10)**
   1) Fixed cost per unit decreases when the volume of production increases.
   2) Variable cost can be controlled by functional managers.
   3) Bin card is a record of quantity only.
   4) Store ledger account is posted after the transaction.
   5) Gantt's task bonus plan is combination of time rate, bonus and piece rate plan.
   6) Normally payment of wages to workers depends upon the time spent by them on work.
   7) Cost accounting means the process of ascertainment of costs.
   8) Office salaries are the indirect costs incurred in production process.
   9) Realizable value of scrap shall be debited to cost of production.
   10) Borrowing cost and other financial charges are part of overheads.
   11) Bad debts is an example of factory overheads.
   12) In reconciliation statement, overvalued opening stock in Financial Account deducted from Financial Profit.

2. The Trading, Profit and Loss Account of XYZ manufacturing company for the year ending 31st December, 2017 was as follows : **(15)**

Trading, Profit and Loss Account for the year ended 31st December, 2017

Dr. **Cr.**

Particulars	₹	Particulars	₹
To Raw Material Purchased	2,40,000	By Sales (7500 Units)	7,50,000
To Direct Wages	90,000	By Closing Stock of Raw Material	15,000
To Direct Expenses	75,000		
To Factory Expenses	1,20,000		
To Gross Profit c/d	2,40,000		
Total	**7,65,000**	**Total**	**7,65,000**
To Office Salaries	75,000	By Gross Profit b/d	2,40,000
To Office Rent	36,000	By Dividend received	30,000
To Selling Expenses	37,500	By Discount received	22,500
To Preliminary Expenses W/Off.	7,500		
To Goodwill W/Off.	16,500		
To Net Profit c/d	1,20,000		
Total	**2,92,500**	**Total**	**2,92,500**

For the year 2018 it is estimated that :

1) Units produced and sold will rise by 20%.
2) Price of Raw Material per unit will rise by 10%.
3) Direct wages per unit will increase by 25%.
4) Direct expenses per unit will remain the same.
5) Factory expenses per unit will increase by 25%.

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6) The office premises which was on rental basis in 2017 would by purchased by company on which depreciation would by ₹6,000 in 2018.

7) Selling expenses per unit will remain same.

You are required to prepare a statement showing estimated cost and profit for the year ended 31st December, 2018, considering that company will charge a profit at $16\frac{2}{3}\%$ on sales.

OR

2. a) Mr. Mahendra, an employee of the company gets the following emoluments and benefits: (08)

Dearness Allowance	100% of basic
Basic Wages	₹52,500 per month
Employer's contribution to E.S.I.	4% of basic
Employer's contribution to Provident Fund	10% of basic
Other Allowances	₹63,750 per annum
Bonus	15% of basic

He works for 4,500 hours per annum, out of which 900 hours are normal idle time. Mr. Mahendra worked 45 effective hours on a job 'T' where the cost of direct material is ₹75,000 and overheads are 60% of combined cost of material and labour. The sale value of job is quoted to earn profit 25% on cost.

You are required to find out effective hourly cost of Mr. Mahendra and the expected sales value of job 'T'.

2. b) Calculate the total earnings of two workers under Halsey Premium Plan and Rowan Premium Plan from the following particulars : (07)

Standard Time Allowed	50 Hours
Rate of wages	₹10 per hour
Actual Time Taken	Worker A : 45 Hours
	Worker B : 30 Hours

3. GST Ltd. has furnished the following information from the Financial books for the year ended 31st March, 2018 : (15)

Trading, Profit and Loss Account

Particulars	₹ ('000)	Particulars	₹('000)
To Opening Stock (Finished Goods 10,000 units)	1,000	By Sales (190000 units)	23,940
To Raw Material	8,320	By Closing Stock (Finished Goods 20,000 units)	2,000
To Direct Wages	6,060	By Commission received	140
To Factory Expenses	4,072	By Bad Debts recovered	48
To Office and Administration Expenses	3,380	By Net Loss	144
To Selling and Distribution Expenses	2,800		

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To Goodwill W/Off	240		
To Loss on sale of Investment	400		
Total	26,272	Total	26,272

The following information is revealed from the cost records for the year ended 31st March, 2018 :

1) Raw Material consumption is ₹40 per unit of production.
2) Direct Wages are 70% of Direct Material.
3) Factory overheads are recovered @ 50% of Direct Materials.
4) Administrative overheads are taken @ 20% of works cost.
5) Selling and Distribution overheads are recovered @ ₹15 per unit.
6) Opening stock of finished goods is valued at ₹101.80 per unit.
7) Closing stock of finished goods is to be valued at cost of production.
8) Selling Price is recorded at ₹125 per unit.

Prepare :

1) Detailed cost statement showing Total Cost and per unit cost and also find out the total profit and per unit profit.
2) Statement of Reconciliation.

OR

3. a) The following information is available from the books of Aditi Ltd. for the year 2017 and 2018 : **(08)**

Particulars	2017 (₹)	2018 (₹)
Purchases	2,00,000	?
Average Stock	50,000	60,000
Stock Turnover	?	5 Times
Opening Stock	60,000	40,000

From the above information find out :

a) Stock Turnover Ratio and Cost of goods sold for the year 2017.
b) Purchases and Cost of goods sold for the year 2018.

3. b) A company manufactures a product XYZ and provides the following information : **(07)**

Demand of Product XYZ is 2,000 units per month.
Raw Material required per unit of finished product - 2 kgs.
Purchase price of input materials - ₹50 per kgs.
Ordering cost per order - ₹90.
Annual carrying cost - 12%.

Calculate Economic Order Quantity and Number of Orders to be placed by using Formula Method.

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4. Monarch Ltd. has four production departments, P, Q, R, S and one service department S_1. The following details are extracted from the books of accounts in respect of indirect expenses incurred during March, 2018 : **(15)**

Particulars	₹
Electric Power	2,00,000
Supervision	4,00,000
Insurance on Stock	1,60,000
Lighting	1,80,000
Employer's liability of employees insurance	60,000
Repairs & Maintenance	3,50,000
Rent	2,50,000
Depreciation	4,20,000

Following further detail are collected for distribution of the above overheads :

Particulars	Departments				
	P	Q	R	S	S_1
Direct Materials	70,000	60,000	50,000	40,000	10,000
Value of Plant (₹)	2,00,000	1,80,000	1,60,000	1,00,000	60,000
Light Points (Nos.)	50	40	35	30	25
Floor space (Sq. Meters)	1,400	1,200	1,100	900	400
Total Wages (₹)	1,00,000	80,000	50,000	50,000	20,000
Value of Stock (₹)	1,50,000	1,00,000	50,000	20,000	-
No. of workers	250	300	100	100	50
H.P. of Machines	200	300	100	200	200

Prepare a statement showing Primary Distribution of Overheads.

OR

4. a) From the following particulars, compute Machine Hour Rate : **(08)**

Cost of Machine	₹2,50,000
Depreciation	15% p.a. on original cost
Power consumption 2 units per hour	@ ₹0.75 per unit
Insurance	₹10,000 p.a.
Repairs	₹5,000 p.m.
Consumable stores	₹2,500 p.m.
Rent	₹3,00,000 p.a.
Supervisor's Salary	₹1,30,000 p.a.

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Estimated working hours	2,400 p.a.
Non – productive setting up time of the machine	20% of estimated working hours

The machine occupies ¼th of the total area. The supervisor is expected to devote 1/5th of his time for the machine.

4. b) Beta Ltd. manufactures a special product "M" and provides you the following information : (07)

Quarterly Demand	1,500 units
Ordering cost per order	₹70
Inspection cost per order	₹20
Semi Annual Carrying Cost	10%
Purchase Price of Input Unit	₹30 per kg.
Raw Material required per unit for Finished Goods	2 kgs.

Calculate :

i) Economic Order Quantity (By Formula Method).

ii) Number of Orders to be placed.

5. From the following records of Shantanu Company Ltd. receipts and issues of materials during the month of March, 2018 : (15)

Date	Transactions
1	Opening Balance 500 quintals @₹25 per quintal.
5	Issued 250 quintals.
13	Received form vendor 200 quintals @₹24 per quintal.
14	Received of surplus from work order 50 quintals.
16	Issued 350 quintals.
20	Received from vendor 200 quintals @₹23 per quintal.
24	Condemned due to deterioration all quantity.
25	Received from vendor 500 quintals @₹25 per quintal.
26	Issued 300 quintals.
27	Return of surplus from a work order 50 quintal.
29	Received from vendor 200 quintals @₹24 per quintal.

A stock verifier of the factory noted that a shortage of 20 quintals on 15th March and on 28th March another shortage of 10 quintals.

The maximum level fixed 500 quintals, minimum level 100 quintals and reordering level 200 quintals.

Prepare Store Ledger Account under FIFO and weighted Average Method.

OR

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5. a) Calculate the Machine Hour Rate for "Metallic" machine installed in a factory from the following particulars : (08)

Particulars	Per Annum (₹)	Per Hour
Monthly Supervisor's Salary	9,000	-
Repairs and Maintenance	180	-
Rent of factory	4,800	-
Insurance Premium	300	-
Running Hours p.a.	3000 Hours	-
Electric Power Consumed	-	30 units
Water	300	-
Steam	450	-

Other information of Machine "Metallic"

Time devoted by supervisor	$1/10^{th}$
Area occupied by machine	$1/4^{th}$
Rate of electricity	(₹) 0.20 per unit
Original Cost of Machine	(₹) 70,000
Carriage inwards on Machine	(₹) 10,000
Scrap value of Machine	(₹) 20,000
Life of Machine	20 years

5. b) From the following information you are required to work out the earnings of worker A under : (07)

i) Halsey premium scheme (Bonus 50% of savings)

ii) Rowan premium scheme

Job	Time allowed	Time taken
X	26 hours	20 hours
Y	30 hours	20 hours

His normal basic rate of wages was ₹80 per day of 8 hours and his dearness allowances was ₹240 per week of 48 hours.

6. a) Explain Cost classification based on nature of manufacturing concern. (10)

6. b) What are the essentials of Sound Material Control Procedure? (10)

OR

6. Write short notes **Any Four** of the following : (20)

1) Functions of Cost Accounting
2) Objectives of Material Control
3) Time Keeping
4) Administrative Overheads
5) Profit Centre
6) Need of Reconciliation