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Name.................................

Reg. No...............................

SECOND YEAR B.Com. DEGREE EXAMINATION, MARCH/APRIL 2001

Part III—Commerce

Paper VIII—COST ACCOUNTING

Three Hours

Maximum : 100 Marks

Section A

Answer any **ten** *questions.*
Each question carries 2 marks.

Define Cost.

What do you mean by stores layout ?

What are the requirements of a good coding system ?

What is cost sheet ?

What are the advantages of job analysis ?

Name any *four* incentive wage plans.

What are the overhead rate ?

What do you mean by escalation clause ?

What is meant by allocation of overhead ?

What are the common methods of codification system ?

Define Purchase order.

What do you mean by perpetual inventory system ?

(10 × 2 = 20 marks)

Section B

Answer any **ten** *questions.*
Each question carries 5 marks.

What are the factors to be considered for fixing the maximum stock level ?

What are the purpose of Cost accounting ?

What are the tools and techniques commonly applied for inventory control ?

Write a note on differential piece rate system.

What are the reasons for over or under-absorption of overheads ?

State the characteristics of job costing.

What are the merits and limitations of process costing ?

Given the annual usage of a material 600 units ordering cost are Rs. 12 per order, price of material is Rs. 20 per unit and cost of storage is 20 % of the inventory valve. Find out economic order quantity.

Turn over

21. The stores ledger account of material X-1 in the books of Chemical processer Ltd. reveale following transactions for the month of December 2000 :—

(a) On December 1, opening balance on hand is 150 units at Rs. 15 each.

(b) December 6, 150 units are purchased at Rs. 15.50 each.

(c) December 10, 180 units are issued.

(d) December 21, 150 units are purchased for Rs. 15.60 each.

(e) December 23, 160 units are issued.

(f) December 26, 10 units are returned to the stores, these units had been issu December 10.

Prepare Stores Ledger account on the basis of LIFO.

22. From the following particulars, calculate the earnings of workers under Taylor's differential rate system :—

Standard time per piece—20 minutes

Normal rate per hour—Re. 0.90

In a 9 hour day—A produce 25 units.

B produce 35 units.

Differential to be applied 80 % of piece rate below standard. 120 % of piece rate or above stan

23. Mr. Ahuja runs a tempo service in the town. He furnishes you the following data and want to compute the cost per running mile :—

		Rs.
Cost of vehicle	...	25,000
Road licence fee per year	...	750
Supervision and salary (yearly)	...	1,800
Driver's wage per hour	...	4
Cost of fuel per litre	...	1.50
Repairs and maintenance per mile	...	1.50
Tyre cost per mile	...	1.00
Garage rent per year	...	1,600
Insurance premium (yearly)	...	850
Miles run per litre	...	6
Mileage run during the year	...	15,000
Estimated life of vehicle	...	1,00,000 miles

Charge interest at 10 % p.a. on the cost of vehicle. The vehicles run 20 miles per hour average.

24. A factory producing article A produces a by product B which is further processed into fin product. The joint cost of manufacture is given below :

		Rs.
Materials	...	50,000
Labour	...	30,000
Overhead	...	20,000

Subsequent costs are as follows :

	A	B
	Rs.	Rs.
Material ...	30,000	15,000
Labour ...	14,000	10,000
Overheads ...	6,000	5,000
	50,000	30,000

Selling prices :

A—Rs. 1,60,000

B—Rs. 80,000

Estimated profits on selling price for A and B are 25 % and 20 % respectively.

Prepare a statement showing the apportionment of joint cost.

25. 1200 kg. of a material are charged to process 1 at Rs. 2 per kg. The direct labour accounted for Rs. 400 and other departmental expenses amounted to Rs. 560. The normal loss is 10 per cent of the input whereas net production was 1000 kg. If process scrap is salable at Re. 1 per kg., calculate the value of normal loss and abnormal loss and prepare the process account.

(10 × 5 = 50 marks)

Section C

Answer any **two** *questions.*
Each question carries 15 *marks.*

26. The following is the summary of the entries in a contract ledger as on 31st December 2000 in respect of Contract No. 999 :—

		Rs.
Materials bought directly	...	35,000
Materials from stores	...	7,000
Wages	...	18,000
Direct expenses	...	7,000
Establishment charges	...	8,000
Plant	...	34,200
Scrap sold	...	1,820

The further information is as follows :

(a) Accruals on 31st December 2000 were wages Rs. 900 and direct expenses Rs. 1,200.

(b) The cost of work uncertified included materials Rs. 2,600 wages Rs. 100 and expenses Rs. 1,500.

(c) Rs. 2,000 worth of plant and Rs. 3,000 worth of materials were destroyed by the fire.

(d) Rs. 4,000 worth of plant sold for Rs. 3,000 and materials costing Rs. 5,000 sold for Rs. 6,000.

(e) Depreciation till December 2000 on plan Rs. 10,000.

(f) Materials at site Rs. 5,000.

(g) Cash received from contractee Rs. 60,000 being 80 % of work certified.

(h) Contract price Rs. 1,00,000.

Show contract account and work-in-progress account. Show the same in the Balance Sheet.

27. From the following information you are required to prepare an operating cost sheet for the m
of December 2000 :

Fuel : Coal 1200 tons at Rs. 11 per ton.

Coal 500 tons at Rs. 15 per ton.

Handling charges of fuel at 50 paise per ton. Ash removal charges—160 tons at 25 pais
ton. Cost of water pumped from the river—1,60,000 gallons at 37½ paise per thousand g
Lubricating oil—gallons at Rs. 4 per 50 gallon credit on account of :

(a) Sale of ash 280 tons at 25 paise per ton.

(b) Cost of steam applied to the manufacturing shops—30,000 therms at Rs. 10 per thou
therms.

Salaries and wages of operating staff in the power house.

Foreman	1	at	Rs. 400 pm.
Asst. foreman	2	at	Rs. 125 pm.
Mechanics	4	at	Rs. 75 p.m.
Coolie	1	at	Rs. 2.50 per day for 30 days.

Depreciation on		*Capital cost* Rs.	*Rates per annum*
Boiler	...	20,000	6 %
Generation	...	1,20,000	4 %
Building	...	12,000	1 %

25 % share of total technical charges of Rs. 3,940. Total gross units generated 97000 units
are also required to find out cost per unit of electricity generated.

28. The following figures have been extracted from financial accounts of a manufacturing firm
the first year of its operation :—

		Rs.
Direct material consumption	...	50,00,000
Direct wages	...	30,00,000
Factory overheads	...	16,00,000
Administrative overheads	...	7,00,000
Selling and distribution overheads	...	9,60,000
Bad debts	...	80,000
Preliminary expenses written off	...	40,000
Legal charges	...	10,000
Dividends received	...	1,00,000
Interest on deposit received	...	20,000
Sales 1,20,000 units	...	1,20,00,000
Closing stock :		
Finished stock-4000 units	...	3,20,000
Work-in-progress	...	2,40,000

The cost accounts for the same period reveal that the direct material consumption was Rs. 56,
Factory overhead is recovered 20 % on prime cost, administrative overhead is recovered
Rs. 6.00 per unit of production and selling and distribution overheads are recovered at Rs. 8
per unit sold.

You are required to prepare costing and financial Profit and Loss Account and reconcile
difference in the profit as arrived at in the two sets of accounts.

(2 × 15 = 30 mar