

FOURTH SEMESTER B.Com./B.B.A. DEGREE EXAMINATION, APRIL 2020
(CUCBCSS—UG)

B.Com.

BCM 4B 05—COST ACCOUNTING

(2017 Admissions)

Time : Three Hours

Maximum : 80 Marks

Part A

Answer all questions.

Each question carries 1 mark.

Choose the correct answer :

1. Tender is an :

- a) Estimation of profit.
- b) Estimation of cost.
- c) Estimation of selling price.
- d) Estimation of units.

2. Total of all direct costs is termed as :

- a) Prime cost.
- b) Works cost.
- c) Cost of sales.
- d) Cost of production.

3. Which one out of the following is not an inventory valuation method ?

- a) FIFO.
- b) LIFO.
- c) Weighted Average.
- d) EOQ.

4. In case of rising prices (inflation) FIFO method will :

- a) Provide lowest value of closing stock and profit.
- b) Provide highest value of closing stock and profit.
- c) Provide highest value of closing stock but lowest value of profit.
- d) Provide highest value of profit but lowest value of closing stock.

5. In case of rising prices (inflation) LIFO method will :

- a) Provide lowest value of closing stock and profit.
- b) Provide highest value of closing stock and profit.
- c) Provide highest value of closing stock but lowest value of profit.
- d) Provide highest value of profit but lowest value of closing stock.

Turn over

Fill in the blanks :

6. Re-order level for consumption of 100-200 units per week and delivery period is 14-28 days is _____.
7. Cost of abnormal wastage is charged to _____.
8. Sundry overhead expenses may be apportioned in the ratio of _____.
9. Departmentalization of overhead is known as _____ distribution.
10. When the actual overhead is less than the absorbed overhead it is _____ absorption.

(10 × 1 = 10 marks)

Part B

Answer any **eight** questions from the following.

Each question carries 2 marks.

- ✓ 11. What is Cost Centre ?
12. Define Bill of Materials.
- ✓ 13. What is indirect labour ?
- ✓ 14. What is time and motion study ?
15. List out any three components of Administrative Overhead.
- ✓ 16. What is variable overhead ?
- ✓ 17. What is Material Inspection Note ?
- ✓ 18. What is continuous operation costing ?
- ✓ 19. What is Budgeting ?
- ✓ 20. What is Zero Base Budgeting ?

(8 × 2 = 16 marks)

Part C

Answer any **six** questions from the following.

Each question carries 4 marks.

21. Explain the advantages of Continuous Stock taking.
- ✓ 22. Explain the features of Process costing.
23. Distinguish between forecast and budget.

- ✓ 24. Annual usage of material is 2000 units and it costs Rs. 15 to handle an order for this material. The price is Rs. 2.00 per unit regardless of quantity purchased and carrying cost of inventory is 18% per annum. Calculate EOQ.
- ✓ 25. A machine costs Rs. 90,000 and is deemed to have a scrap value of 5% at the end of its effective life (19 years). Ordinarily, the machine is expected to run for 2400 hours per annum but it is estimated that 150 hours will be lost for normal repairs and maintenance and further 750 hours will be lost due to staggering. The other details in respect of the machine shop are :
- Wages, bonus and PF contribution of each of two operators (each operator is in charge of two machines) Rs. 6,000 per year.
 - Rent and Rates of the shop Rs. 3,000 per year.
 - General lighting of the shop Rs. 250 per month.
 - Insurance premium for the machine Rs. 200 per quarter.
 - Cost of repairs and maintenance per machine Rs. 250 per month.
 - Shop supervisor's salary Rs. 500 per month.
 - Power consumption of the machine per hour 20 units, rate of power per 100 units Rs. 10.
 - Other factory overheads attributable to the shop Rs. 4,000 per annum.

There are four identical machines in the shop. The supervisor is expected to devote one-fifth of his time for supervising machine. Compute a comprehensive machine hour rate from the above details.

Ordinary machine Hours	..	2,400	
Less : Normal repairs and maintenance	..	150	
Lost due to staggering	..	<u>750</u>	<u>900</u>
Normal working hours	..	<u>1,500</u>	

- ✓ 26. From the following data calculate the cost per mile of a vehicle :

		Rs.
Value of the vehicle	...	15,000
Road licence for the year	...	500
Insurance charges per year	...	100
Garage rent per year	...	600
Driver's wages per month	...	200

	Rs.
Cost of petrol per litre	.. 0.80
Miles per litre	.. 8
Proportional charges for tyre and maintenance per mile	.. 0.20
Estimated life	.. 1,50,000 miles
Estimated annual mileage	.. 6,000 miles
Ignore interest on capital.	

✓ 27. Prepare a production budget for the six months ending 31st December, 2010 from the following data of product X :

(i) The units to be sold for different months are as follows :

July, 2010	... 1100
August	... 1100
September	... 1700
October	... 1900
November	... 2500
December	... 2300
January 2011	... 2000

(ii) There will be no work in progress at the end of any month.

(iii) Finished units equal to half the sales for the next month will be in stock at the end of each month (including June 2010).

✓ 28. PQR Tubes Ltd. are the manufacturers of panels of TV. The following are the details of their operations during 2010-11 :

Ordering Cost	... Rs. 100 per order
Inventory Carrying Cost	... 20% p.a.
Cost of panel	... Rs. 500 per panel
Normal usage	... 100 panel per week
Minimum usage	... 50 panel per week
Maximum usage	... 200 panel per week
Lead time to supply	... 6-8 weeks

Required :

- (i) Re-order level.
- (ii) Maximum level of stock.
- (iii) Minimum level of stock.

(6 × 4 = 24 marks)

Part D

Answer any two questions from the following.

Each question carries 15 marks.

- ✓ 29. Infotech Ltd. Commences business on 1st April 2011 and deposits Rs. 1,00,000 in the Global Trust Bank. The sum deposited would not be sufficient to finance its operations over a period of four months. As a company secretary, you are asked to prepare a cash budget from 1st April 2011 to 31st July, 2011 to ascertain the monthly overdraft limits to seek from the company's bankers. Requisite data is as under :

- (i) Sales are made to one distributor only on 30 days terms, 2% discount cheques are received on the first date of the following due date.
- (ii) Furniture purchases for Rs. 10,000 preferred to be made in April 2011.
- (iii) Budget figures are :

<i>Particulars</i>	<i>April</i>	<i>May</i>	<i>June</i>	<i>July</i>
Purchases ..	50,000	40,000	30,000	40,000
Wages ..	40,000	50,000	40,000	40,000
Cash expenses ..	4,000	5,000	4,000	4,000
Sales ..	60,000	70,000	80,000	80,000

All purchases are made on net 30 days terms and cheques are posted to creditors on the last day of the month due.

- ✓ 30. The finished product of a manufacturing company passes through three process, viz. I, II and III. The normal wastage in each process is 5%, 7% and 10% for Process I, II and III respectively (calculated with reference to the number of units fed into each process). The scrap generated out of

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wastage has a sale value of 70 paise per unit, 80 paise per unit and Re. 1 per unit in the Processes I, II and III respectively. The output of each process is transferred to the next process and the finished output emerges from the process III are transferred to stock. There was no stock of work in process in any process in a particular month. The details of cost data for the month are given below :

	Process		
	I	II	III
Materials used (Rs.)	1,20,000	40,000	40,000
Direct Labour (Rs.)	80,000	60,000	60,000
Production expenses (Rs.)	40,000	40,000	28,000
Output in units (actual)	38,000	34,600	32,000

Process I was fed with 40,000 units of raw input at a cost of Rs. 3,20,000.

Prepare the Process Accounts.

31. Define Cost Accounting. Distinguish between cost accounting and management accounting.

(2 × 15 = 30 marks)