Paper 8- Cost Accounting

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Full Marks :100 **Time allowed: 3 hours**

Question No 1 is Compulsory. Answers any five Questions from the rest.
Working Notes should form part of the answer.

1.(a)Match the statement in Column I with the most appropriate statement in Column II : **[1×5 =5]**

Column I	Column II
1. In hospital the cost unit is	**A.** Total sales less BEP sales
2. Zero based budgeting	**B.** Appropriations only in financial account
3. Direct Expenses	**C.** CAS 10
4. Donation	**D.** Decision Package
5. Margin of Safety	**E.** Per bed

(b) Choose the correct answer from the given four alternatives: **[1 x10=10]**

(i) In Reconciliations Statements Expenses shown only in financial accounts are.
- **A.** Added to financial profit
- **B.** Deducted from financial profit
- **C.** Ignored
- **D.** Added to costing profit

(ii) Cost plus contact is usually entered into those cases where
- **A.** Cost can be easily estimated
- **B.** Cost of certified and uncertified work
- **C.** Cost of certified work, cost of uncertified work and amount of profit transferred to Profit and Loss Accounts.
- **D.** None of the above

(iii) Equivalent production of 1,000 units, 60% complete in all respects, is :
- **A.** 1000 units
- **B.** 1600 units
- **C.** 600 units
- **D.** 1060 units

(iv) Fixed cost is 30,000 and P/V ratio is 20%. Compute breakeven point.
- **A.** ₹ 160,000
- **B.** ₹ 150,000
- **C.** ₹ 155,000
- **D.** ₹ 145,000

(v) Difference between standard cost and actual cost is called as
- **A.** Wastage
- **B.** Loss
- **C.** Variance
- **D.** Profit

(vi) Which of the following is considered as normal loss of material?
- **A.** Pilferage

B. Loss due to accident
C. Loss due to careless handling of material
D. None of these.

(vii) Joint Cost is suitable for
A. Infrastructure Industry
B. Ornament Industry.
C. Oil Industry
D. Fertilizer Industry

(viii) CAS 21 stands for
A. Capacity Determination
B. Joint Cost
C. Direct Expenses
D. None of these

(ix) Cost variance is the difference between
A. The standard cost and marginal cost
B. The standards cost and budgeted cost
C. The standards cost and the actual cost
D. None of these

(x) P/V ratio will increase if the
A. There is an decrease in fixed cost
B. There is an increase in fixed cost
C. There is a decrease in selling price per unit.
D. There is a decrease in variable cost per unit

(c) Fill in the blanks. **[1×5 =5]**

(i) Total cost +Profit =________

(ii) Cost of _____ los is not borne by good units

(iii) The ____ product generally has a greater sale value than by product

(iv) When sales are ₹300,000 and variable cost is ₹180,000, P/V ratio will be ____________.

(v) A budget is a ________ to management.

(d) State whether the following statements are TRUE or FALSE. **[1×5 =5]**

(i) Costs incurred prior to the split off point are known as "Joint Costs"

(ii) Job costing is applied only in small concerns.

(iii) Excess of Actual cost over Standards Cost is treated as unfavourable variance.

(iv) Budgetary control does not facilitate introduction of 'Management by Exception'.

(v) Travelling expenses to site is a direct expense.

2.(a) A contractor has undertaken a construction work at a price of ₹5,00,000 and begun the execution of work on 1st January, 2015. The following are the particulars of the contract up to 31st December, 2015.

Particulars	Amount ₹	Particulars	Amount ₹
Machinery	30,000	overheads	8,252
Materials	1,70,698	Materials returned	1,098
Wages	1,48,750	Work certified	3,90,000
direct expenses	6,334	Cash received	3,60,000
Uncertified work	9,000	Materials on 31.12.2015	3,766
Wages outstanding	5,380		
Value of plant on 31.12. 2015	22,000		

It was decided that the profit made on the contract in the year should be arrived at by deducting the cost of work certified from the total value of the architects certificate, that 1/3 of the profit so arrived at should be regarded as a provision against contingencies and that such provision should be increased by taking to the credit of Profit and Loss Account only such portion of the 2/3rd profit, as the cash received to the work certified. **[7]**

(b) AB Ltd. is committed to supply 24,000 bearings per annum to CD Ltd. On a steady basis. It is estimated that it costs 10 paise as inventory holding cost per bearing per month and that the set-up cost per run of bearing manufacture is ` 324.

(i) What would be the optimum run size for bearing manufacture?
(ii) What is the minimum inventory holding cost at optimum run size?
(iii) Assuming that the company has a policy of manufacturing 6000 bearing per run, how much extra costs would the company be incurring as compared to the optimum run suggested in (a)? **[2+2+4]**

3.(a) Prepare a statement showing the pricing of issues, on the basis of
(i) Simple Average and
(ii) Weighted Average methods from the following information pertaining to Material-D

2015 March	1	Purchased 100 units @ ₹10 each
	2	Purchased 200 units @ ₹ 10.2 each.
	5	Issued 250 units to Job X vide M.R.No.12
	7	Purchased 200 units @ ₹10.50 each
	10	Purchased 300 units @ ₹10.80 each
	13	Issued 200 units to Job Y vide M.R.No.15
	18	Issued 200 units to Job Z vide M.R.No.17
	20	Purchased 100 units @ ₹11 each
	25	Issued 150 units to Job K vide M.R.No.25

[6+6]

(b) Write any three function of Cost Accounting Standard Board. **[3]**

4.(a) Workmen of a particular grade working on 8 hour shift duty are guarantees a wage of ₹32. An incentive scheme is in operation according to which production bonus is earned directly proportional to performance but only after 100% performance is reached. Four workmen A,B,C and D produce 48, 60, 75 and 90 units respectively in 6 hours working on a job which has standard time of 6 minutes per unit as measured work content. Remaining 2 hours of the shift are spent in doing unmeasured work for which no incentive bonus can be paid. Find for each workman:

(i) The production performance level achieved;

(ii) Total earnings for the day. **[4+4]**

(b) M/s Mysore Petro Ltd. showed a net loss of ₹2,08,000 as per their financial accounts for the year ended 31st March, 2016. The cost accounts, however, disclosed a net loss of ₹1,64,000 for the same period. The following information was revealed as a result of the secrutiny of the figures of both the sets of books.

	₹
Factory overhead under recovered	3,000
Administration overhead over recovered	2,000
Depreciation charged in financial books	60,000
Depreciation recovered in costs	65,000
Interest on investment not included in costs	10,000
Income-tax provided	60,000
Transfer fee (in financial Books)	1,000
Stores adjustment (credit in financial books)	1,000

Prepare Reconciliation Statement. **[7]**

5.(a) What are the advantages of Standard Costing? **[5]**

(b) From the data given below, calculate the Material Price Variance, Material Usage Variance, Material Mix Variance, Material Cost Variance and Material Sub-Usage Variance:

Raw Material	Standard	Actual
A	40 Units @ ₹50 per unit	50 Units @ ₹50 per unit
B	60 Units @ ₹40 per unit	60 Units @ ₹45 per unit

[10]

6.(a) A product passes through three processes— A, B and C. 10,000 units at a cost of ₹1.10 were issued to Process A. The other direct expenses were as follows:

	Process A	Process B	Process C
Sundry Materials	1,500	1,500	1,500
Direct Labour	4,500	8,000	6,500
Direct Expenses	1,000	1,000	1,503

The wastage of process 'A' was 5% and in process 'B' 4%.

The wastage of process 'A' was sold at ₹0.25 per unit and that of 'B' at ₹0.50 per unit and that of C at ₹1.00.

The overhead charges were 160% of direct labour. The final product was sold at ₹10 per unit fetching a profit of 20% on sales. Find out the percentage of wastage in Process 'C'.

[10]

(b) What are the significance of Operating Costing? **[5]**

7.(a) Distinguish between Absorption Costing and Marginal Cost. **[5]**

(b) A factory is currently working to 40% capacity and produces 10,000 units. At 50% the selling price falls by 3%. At 90% capacity the selling price falls by 5% accompanied by similar fall in prices of raw material. Estimate the profit of the company at 50% and 90% capacity production.

The cost at present per unit is:

Material	₹ 10
Labour	₹ 3
Overheads	₹ 5(60% fixed)

The selling price per unit is ₹ 20/- per unit. **[10]**

8. Write Short note on the following (any three) **[3x5=15]**

(b) Master Budget

(c) Cost Centre

(d) Port Sector

(e) Advantages of Job Costing

(f) Limitations of standard costing: