POST-GRADUATE COURSE

Term End Examination : June, 2017

COMMERCE

Paper-IX : Cost Accounting

Time : 2 Hours **Full Marks : 50**

(Weightage of Marks : 80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Module - I

Answer any *two* questions : $12\frac{1}{2} \times 2 = 25$

1. a) As a Cost Accountant of a manufacturing firm what steps would you take to introduce a costing system ?

   b) What are the advantages of introducing a costing system in a manufacturing firm ?

   c) State with reasons, which method of costing you would recommend for use in the following industry :

   (i) Chemical Works

   (ii) Road Transport Company

   (iii) Painter and Decorator. $5 + 4\frac{1}{2} + 3$

2. a) How can costs be classified ? Give example for each such cost classification.

   b) A company makes two distinct types of electronic toys X any Y. The total expenses during a period as shown by the books for assembly of 600 of X and 800 of Y are as under :

	Rs.		Rs.
Materials	1,98,000	Depreciation	2,200
Direct wages	12,000	Labour Amenities	1,500
Stores Overhead	19,000	Works General	30,000
Running Expense, of Machines	4,400	Administration & Selling Expenses	26,800

Other data available to you are :	X	:	Y
Materials cost ratio per unit	1	:	2
Labour cost ratio per unit	2	:	3
Machine utilisation ratio per unit	1	:	2

Calculate cost of each toy per unit giving reasons for the basis of apportionment of expenses adopted by you. $(4 + 2) + 6\frac{1}{2}$

3. a) What do you mean by under– or over–absorption of overhead ? What accounting treatments are available for their disposal ?

b) The following particulars relating to the production departments of a factory for the month of June 2016 :

Materials used	Rs. 80,000
Direct wages	Rs. 72,000
Direct Labur hours worked	20,000
Hours of Machine operation	25,000

Overhead charges allocated to the department Rs 90,000. The cost data of a particular work order carried out in the above department during June, 2016 are given below :

Materials used	Rs. 8,000
Direct wages	Rs. 6,250
Labour hours booked	3,300
Machine hours booked	2,400

What would be the factory cost of the work order under the following methods of charging overheads ?

(i) Direct labour cost rate

(ii) Machine hour rate

(iii) Direct labour hour rate. $(4 + 2\frac{1}{2}) + 6$

4. a) What principal ledgers and accounts are maintained in a system of cost control accounting ?

b) Why is reconciliation of cost and financial accounts necessary ? Can it be avoided ? If so, when. $6 + 6\frac{1}{2}$

Module - II

Answer any *two* questions : $12\frac{1}{2} \times 2 = 25$

5. a) A practising Chartered Accountant spends Rs. 1.80 per km taxi fare. He is considering two other alternatives — the purchasing a new small car or an old big car. The

estimated cost figures for these two alternatives are as follows :

	New Small car	Old big car
	Rs.	Rs.
Purchases price	70,000	40,000
Sale price after 10 years	30,000	20,000
Servicing and other fixed expenses per annum	1,500	2,400
Tax and Insurance per annum	3,500	1,000
Km. run per litre	10	7

Petrol price per litre is Rs. 7. His estimated annual requirement to travel is 10,000km. Which of three options will be the most economical for him. In case his annual travelling requirement is 20,000 km., what should be his decision ?

b) Specify five industries where job costing can be applied. $10 + 2\frac{1}{2}$

6. a) Degree of completion :

Materials	100%
Labour	75%
Overhead	50%
Input	2000 units
Output	1800 units
Closing WIP	200 units
Process costs :	
Materials	Rs. 20,000
Labour	Rs. 14,000
Overhead	Rs. 7,000

Find out (i) Equivalent production, (ii) Cost per unit of equivalent production and (iii) Prepare the process account assuming that there is no opening work-in-progress and process loss.

b) Distinguish between Joint product, By-product and Co-product. $(3 + 3 + 4) + 2\frac{1}{2}$

7. The budgeted sales of three companies are as follows :

	Company 1	Company 2	Company 3
Budgeted sales in units	10,000	10,000	10,000
Budgeted selling price per unit (Rs.)	2.00	2.00	2.00
Budgeted variable cost per unit (Rs.)	1·50	1·25	1·00
Budgeted fixed expenses total (Rs.)	3,000	5,500	8,000
Budgeted capacity	80%	80%	80%

From the above information you are required to calculate the following for each company :

a) The budgeted profit

b) The budgeted break-even point

c) The budgeted margin between break-even point and budgeted sales expressed as a percentage of total capacity

d) The impact on profit of a ± 10 per cent deviation in budgeted sales.

$3 + 3 + 3 + 3\frac{1}{2}$

8. a) What factors will have to be considered in taking decisions for 'Make' or 'Buy' ?

   b) Under what circumstance a decision to drop a product from the product lines is necessary ? Discuss.

   c) Write a short note on 'Key factor'.

$$5 + 5 + 2\frac{1}{2}$$