

QP Code: 22/PT/9/IX (Old)

POST-GRADUATE COURSE
Term End Examination — June, 2022/December, 2022
COMMERCE (Old Syllabus)
Paper-IX : COST ACCOUNTING
(Up to January 2021 Enrolment Session)

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.

Use of scientific calculator is strictly prohibited.

Module - I

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

1. (a) Differentiate between method and technique of costing.
(b) What are the advantages of introducing a costing system in a manufacturing system ?
(c) State whether the following statements are true or false :
 - i) Cost accounting helps financial accounting in valuation of inventories.
 - ii) Target cost is not an actual cost.
 - iii) Cost accounting lacks universal application.
 - iv) Absorption costing is a method of costing. $6\frac{1}{2} + 4 + 2$
2. (a) What do you mean by cost objective ? Differentiate between cost and expense.
(b) What is sunk cost ?
(c) A firm produces and sells a single product. From the following particulars, prepare a statement showing cost of production and

profit/loss assuming that FIFO method is followed for valuation of closing stock of finished goods.

	01.04.2021	31.03.2022
	Rs.	Rs.
Stock of Raw Materials	50,000	62,500
Work-in-progress	62,500	87,500
Stock of Finished Goods	90,000	?
	(2000 units)	(2500 units)
Raw materials purchased	Rs. 2,00,000	
Direct Labour	Rs. 1,37,500	
Chargeable expenses	Rs. 50,000	
Machine hour rate	Rs. 20 per hour	
Machine hours worked	5000 hours	
Office & administration overhead	Rs. 12.00 per unit	
Selling & distribution overhead	Rs. 7.50 per unit	
Sales (12000 units)	Rs. 65.00 per unit	
	(2 + 3) + 2 + 5½	

3. (a) What are the problems of distribution of overhead by volume based measures ?
- (b) What do you mean by Machine Hour Rate Method ?
- (c) A manufacturing company has 3 production departments and 2 service departments. Total expenses after primary distribution are as under :

Production departments : A Rs. 5000, B Rs. 3000, C Rs. 2500

Service departments : E Rs. 2000, F Rs. 3000

The proportion of services rendered by the service departments are technically estimated as under :

Departments	A	B	C	E	F
E	40%	30%	10%	-	20%
F	20%	40%	30%	10%	-

Draw up Secondary Distribution of overhead by Repeated Distribution method. 3 + 3½ + 6

4. (a) What are the advantages of maintaining a cost ledger ?
- (b) Mention four basic ledgers maintained in Cost Department.
- (c) Pass Journal entries for the following transactions under non-integrated system :
- i) Issue of materials : Direct Rs. 8,00,000
Indirect Rs. 2,00,000
- ii) Allocation of wages : Direct Rs. 1,20,000
Indirect Rs. 1,00,000 $4\frac{1}{2} + 3 + 5$

Module - II

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

5. (a) What is job costing ?
- (b) What is meant by equivalent production ?
- (c) The following particulars are available in respect of Process X of a company for the year ended on 31st March, 2022 :
- Input introduced 25000 units
- Output transferred to Process Y 20000 units
- Closing Work-in-progress 5000 units
- Degree of completion in closing work-in-progress :
- Materials 100% ; Labour 60% ; overhead 40%
- Total process costs includes :
- Materials Rs. 1,50,000 ; Labour Rs. 92,000 ; Overhead Rs. 55,000
- You are required to prepare the following :
- a) Statement of Equivalent production ;
- b) Process X Account. $3 + 3 + 6\frac{1}{2}$
6. (a) Define operating cost.
- (b) How can the income from sale of by-products be shown in the income statement ?

- (c) A transport company runs 5 buses between two places covering a distance of 25 kms. Sitting capacity of each bus is 50 passengers. Generally 80% sitting capacity is utilised in each bus. All buses run 25 days a month, each making 4 round trips daily. If total operating costs during a month for all the five buses is Rs. 16 lakhs and profit on taking is assumed to be 20%, calculate the bus fare to be charged for each passenger per km.

$$3 + 3 + 6\frac{1}{2}$$

7. (a) Write a short note on Margin of safety.
(b) Distinguish between marginal cost and marginal costing.
(c) The sales and profits during two years were as given below :

Year	Sales (Rs.)	Profit (Rs.)
2020	1,50,000	20,000
2021	1,70,000	25,000

You are required to compute :

- i) BEP
ii) Sales required to reach a profit of Rs. 40,000
iii) Margin of safety at a profit of Rs. 50,000

$$2 + 4 + (2\frac{1}{2} + 2 + 2)$$

8. (a) What factors will have to be considered in taking decisions for 'Make or Buy' ?
(b) Under what circumstances a decision to drop a product from the product lines is necessary ? Is making a product preferable to 'buying' it from the market when cost is same in both the cases ?
(c) Briefly explain the importance of contribution approach in CVP analysis.

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