

2022

( February )

COMMERCE

( Honours )

( Cost Accounting )

( BC-502 )

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Define cost accounting and discuss briefly its objectives. Explain how it helps the management in the period of trade depression and trade competition. 1+4+5+5=15

Or

Medical Company manufactures special items A and B. The following particulars are collected for the year, 2020 :

- (i) Average consumption—40 units  
(ii) Normal usage—50 units per week each  
(iii) Minimum usage—25 units per week each

(iv) Maximum usage—75 units per week each

(v) Reorder quantity—A : 300 units  
B : 500 units

(vi) Reorder period—A : 4 to 6 weeks  
B : 2 to 4 weeks

Compute (a) Maximum Stock Level, (b) Minimum Stock Level, (c) Reorder Level, (d) Reorder Quantity and (e) Average Stock Level. 3×5=15

2. M Ltd. has three production departments (X, Y and Z) and two service departments (S1 and S2). The following is the budget for December 2020 :

Items	Total	X	Y	Z	S1	S2
Direct material (₹)	30,000	3,000	6,000	12,000	6,000	3,000
Direct wages (₹)	57,000	15,000	6,000	24,000	6,000	6,000
Other overheads (₹)	27,000					
Depreciation (₹)	3,000					
Factory rent (₹)	12,000					
Power (₹)	7,500					
Additional information :						
Floor area (sq.ft.)	3000	750	375	750	375	750
Capital value of assets (₹ in lakhs)	150	30	60	30	15	15
Machinery hours	9000	1000	2000	4000	1000	1000
Horsepower of machinery	150	50	30	30	15	25

22D/90

( Continued )



( 3 )

The expenses of service departments S1 and S2 are apportioned as follows :

Departments	X	Y	Z	S1	S2
S1	45%	15%	30%	—	10%
S2	60%	35%	—	5%	—

You are required to prepare—

- (a) a statement showing distribution of overhead to various departments;
- (b) a statement showing redistribution of service department expenses to production department using simultaneous equation method.  $7\frac{1}{2}+7\frac{1}{2}=15$

Or

- (a) The following data are obtained from the books for the year ended 31-12-2020 :

	(₹)	
Direct materials	90,000	
Direct wages	75,000	
Profit	60,900	
Administration overhead	42,000	
Selling & distribution overhead	52,500	
Factory overhead	45,000	
Prepare a Cost Sheet.		7½

22D/90

( Turn Over )

( 4 )

- (b) In 2021, the factory receives an order for a number of jobs. It is estimated that direct materials required will be ₹ 1,20,000 and direct labour cost is ₹ 75,000. What should be the price for these jobs if the factory intends to earn the same rate of profit on sales assuming that the selling and distribution expenses have gone up by 15%? The factory recovers factory overhead as a percentage of direct wages and administration and selling and distribution overhead as a percentage of works cost, based on cost rates prevailing in the previous year.

7½

3. Marak Ltd. processes a patent material used in buildings. The material is used in three consecutive grades—soft, medium and hard. The following information has been obtained regarding production :

	Process		
	I	II	III
Raw material used	1000	—	—
Cost per ton (₹)	200	—	—
Weight lost (% of input)	5%	—	—
Scrap (sale price ₹50 per ton)	50 ton	30 ton	51 ton
Sale price per ton (₹)	350	500	80

22D/90

( Continued )



( 5 )

Management expenses were ₹17,500 and selling expenses ₹10,000 are not to be allocated in the processes. Two-third of the output of process I and half of the output of process II are passed on to next process and the balances are sold. The entire output of process III is sold. You are required to prepare the three process accounts and a statement of profit.

15

Or

A contractor undertook a contract for constructing a building. The contract price was ₹ 15,00,000 and the contract commenced on 1st January, 2020. During the year, the following expenses were incurred over the contract :

	(₹)
Material issued from stores	10,000
Material purchased	3,00,000
Labour	2,50,000
Indirect expenses	90,000
Plant	8,50,000
Material returned to stores	20,000
Material lost by fire	5,000
Materials at site	15,000
Plant at site (31-12-20)	8,00,000
Work uncertified	20,000
Cash received from contractee (80% of work certified)	5,60,000

Prepare Contract A/c and WIP A/c, and show how it will appear in the Balance Sheet of 31-12-2020.

9+3+3=15

( Turn Over )

22D/90

( 6 )

4. (a) Calculate—(i) P/V ratio, (ii) fixed cost, (iii) the volume (in units) of production to break-even (iv) the volume of production (in units) to earn a profit of ₹ 40,000 from the following information : 8
- Selling price per unit is ₹ 100. The company sold in successive periods 7000 units and 5000 units and has incurred a loss of ₹ 10,000 and earned a profit of ₹ 10,000 respectively.

- (b) Taking hypothetical figures, draw a break-even chart. 7

Or

A practising Chartered Accountant now spends ₹ 18 per kilometre on taxi fare for his clients' work. He is considering two alternatives, purchase of a new small car or an old bigger car. The estimated cost figures are as follows :

Items	New small car	Old bigger car
Purchases price (₹)	7,00,000	4,00,000
Sale price after 5 years (₹)	3,80,000	2,40,000
Repairs and servicing per annum (₹)	20,000	24,000
Taxes and insurance per annum (₹)	34,000	14,000
Petrol consumption per litre (km)	10	7
Petrol price per litre (₹)	70	70

22D/90

( Continued )



He estimates that he travels 10000 km annually. Which of the three alternatives will be cheaper? If his practice expands and he has to travel 19000 km per annum, what would be his decision? At how many km per annum the cost of the two cars break-even and why? Ignore interest and income tax. 15

5. The details regarding the composition and the weekly wage rates of labour force engaged on a job scheduled to be completed in 30 weeks are as follows :

<i>Category of workers</i>	<i>Standard</i>		<i>Actual</i>	
	<i>No. of labourers</i>	<i>Weekly wage rate per worker</i>	<i>No. of labourers</i>	<i>Weekly wage rate per worker</i>
Skilled	75	60	70	70
Semi-skilled	45	40	30	50
Unskilled	60	30	80	20

The work is actually completed in 32 weeks. Calculate all possible labour variances. 15

Or

Define flexible budget. State the objectives and advantages of a flexible budget.

3+6+6=15

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