

5/H-76 (xii) (Syllabus-2019)

2 0 2 3

(November)

COMMERCE

(Honours)

(BC-502)

(Cost Accounting)

(Under Revised Syllabus)

Marks : 75

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

UNIT—I

1. (a) How can a given direct cost item be both direct and indirect costs? Explain giving a suitable example. 4½
- (b) Why is material control needed? What are the requirements of material control? Describe. 6
- (c) State the conditions that favour for the adoption of FIFO method. 4½

Or

- (a) From the following information of X Ltd., calculate—(i) EOQ, (ii) Re-order Level, (iii) Maximum Level and (iv) Minimum Level : 8

Normal usage—500 units per day

Minimum usage—300 units per day

Maximum usage—700 units per day

Re-order period—60 to 70 days

Annual usage—150000 units

Cost of purchase per order—₹ 3

Cost per unit—₹ 20

Carrying cost per annum @ 20%

- (b) Determine fast-moving item from the following : 4

	Material	
	A	B
Opening Stock	100000	150000
Closing Stock	25000	50000
Materials Purchased	350000	525000

- (c) What is ABC analysis? 3

UNIT—II

2. (a) What is meant by labour turnover? State the different methods of calculating labour turnover. 2+3=5

- (b) Compare and contrast time wage system with piece wage system. 6
- (c) How is allocation different from apportionment of overheads? 4

Or

- (a) From the following, calculate the earnings of three workers A, B and C under straight piece rate method and Merrick's piece rate method : 7½

Normal rate per hour—₹ 27

Standard time per unit—2 minutes

Total number of working hours in a day of 8 hours :

Workers	→	A	B	C
Units	→	195	225	300

- (b) A Ltd. has three production departments and two service departments. Their respective expenditures are as follows :

	Production Departments			Service Departments	
	A	B	C	X	Y
Expenditures (₹)	80,000	70,000	80,000	46,800	60,000

Service departments provide their services in the following manner :

Departments	A	B	C	X	Y
X	20%	40%	30%	—	10%
Y	40%	20%	20%	20%	—

Distribute service departments' overheads following simultaneous equation method.

7½

UNIT—III

3. (a) What do you mean by profit on incomplete contracts? How will you determine its amount to be transferred to Profit and Loss Account? Describe. $7\frac{1}{2}$
- (b) What is a cost sheet? Why is it prepared? Why are non-cost items not shown in it? Give at least five examples of non-cost items. $7\frac{1}{2}$

Or

Product X is obtained after its processing in three distinct processes. The following cost information is available for the operation :

Process	I	II	III	Total
Materials (₹)	26,000	20,000	10,250	56,250
Value of Scrap per unit (₹)	20	40	50	—
Direct Wages (₹)	22,500	36,800	14,000	73,300
Normal Loss	10%	20%	25%	—
Production Overheads (₹)	—	—	—	73,300
Output (units)	450	340	270	—

500 units at ₹ 40 each were introduced in Process-I. Production overheads are to be distributed in proportion of direct wages. There is no stock or work-in-progress at any stage of production.

Prepare all Process Accounts, Normal Loss Account, Abnormal Loss Account and Abnormal Gain Accounts, if any.

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UNIT—IV

4. (a) P Ltd. manufactures and sells four products as A, B, C and D. The sales mix in value comprises $\frac{1}{3}$, $\frac{5}{12}$, $\frac{1}{6}$ and $\frac{1}{12}$ of products A, B, C and D respectively. The total budgeted sales at 100% capacity are ₹ 6,00,000 per month. Fixed cost is ₹ 1,75,000 per month. However, the variable costs in terms of selling price are 60%, 68%, 80% and 40% for products A, B, C and D respectively.

Calculate BEP for all individual products.

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- (b) The P/V ratio of T Ltd. dealing in precision instruments is 50% and the margin of safety is 35%. Determine BEP and the net profit, if the sales volume is ₹ 52,00,000. Also work out the effect on BEP and profit when labour efficiency decreases by 5%. It is given that 25% of variable cost is labour cost.

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Or

- (a) Differentiate between the following :

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

- (i) Marginal Costing and Absorption Costing
(ii) Contribution and Profit

- (b) State the different applications of marginal costing.

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- (c) Z Ltd. is considering expansion. Fixed costs amount to ₹ 4,50,000 and are expected to increase by ₹ 1,25,000 once the expansion is completed. The present capacity is 80000 units a year and is expected to increase by 50% after expansion. Variable cost is ₹ 6.80 per unit and is expected to go down by ₹ 0.40 per unit after expansion. The current selling price is ₹ 20 per unit and is expected to remain the same even after expansion.

Determine the BEP under each alternative. Comment, which alternative is better and why.

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UNIT—V

5. (a) Differentiate between the following : 3+3=6

(i) Fixed Budget and Flexible Budget

(ii) Standard Costing and Budgetary Control

- (b) What is Revised Standard Quantity (RSQ)? When does it arise?

4

- (c) "Budgets are blueprints for action." Explain in brief.

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Or

- (a) Prepare a manufacturing overhead budget and ascertain the manufacturing overhead rates at 50% and 70%

capacities. The following are available for 60% capacity :

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	₹
Indirect material	60,000
Indirect labour	1,80,000
Electricity (40% fixed)	3,00,000
Repairs and maintenance (20% variable)	30,000
Depreciation (fixed)	1,65,000
Insurance	45,000
Salaries (fixed)	1,50,000
Estimated direct labour hours—186000 units	

(b) The following is made available :

Materials	Standard		Actual	
	Qty.	Price	Qty.	Cost
Chemical A	30 kg	₹ 40 per kg	140 kg	₹ 5,880
Chemical B	40 kg	₹ 50 per kg	220 kg	₹ 10,560
Chemical C	80 kg	₹ 60 per kg	440 kg	₹ 28,600
Output	100 kg		500 kg	

How do the yield, mix and the price factors contribute to the cost variance in actual per 100 kg of output over the standard cost?

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