2019

(October)

COMMERCE

(Honours)

(BC-502)

(Cost Accounting)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. Discuss the objectives and advantages of cost accounting. What are the emerging challenges before cost accounting profession in the wake of increasing competition and globalization of business? 4+6+5=15

Or

(a) A medical company manufactures a special item *A*. The following particulars are collected for the year 2018 :

(i) Monthly demand of *A*—10000 units

(ii) Cost of placing an order—₹ 1,000

(iii) Annual carrying cost per unit—₹ 150

(iv) Normal usage 500 units per week

(v) Minimum usage 250 units per week

(vi) Maximum usage 750 units per week

(vii) Reorder period 4 to 6 weeks

Compute the following : 10

(1) Maximum Stock Level
(2) Minimum Stock Level
(3) Reorder Level
(4) Reorder Quantity
(5) Average Stock Level

(b) Discuss briefly the main activities of cost centres. 5

2. *P* Ltd. has three production departments *A*, *B* and *C* and two service departments *X* and *Y*. The following is the budget for December 2018 :

Items	*Total* (₹)	*A*	*B*	*C*	*D*	*E*
Direct Material (₹)		2,000	4,000	8,000	4,000	2,000
Direct Wages (₹)		10,000	4,000	16,000	4,000	4,000
Factory Rent (₹)	8,000					
Power (₹)	5,000					
Depreciation (₹)	2,000					
Other Overheads (₹)	18,000					
Additional Information :						
Floor Area (Sq. ft.)		500	250	500	250	500
Capital Value of Assets (₹ lakhs)		20	40	20	10	10
Machinery Hours		1000	2000	4000	1000	1000
Horsepower of Machinery		50	40	40	15	25

The expenses of service departments *D* and *E* are apportioned as follows :

Department	*A*	*B*	*C*	*D*	*E*
D	45	15	30	—	10
E	60	35	—	5	—

Make necessary assumptions and compute—

(a) a statement showing distribution of overhead to various departments;

(b) a statement showing redistribution of service department expenses to production department using trial and error method;

(c) machine hour rate of *A*, *B* and *C*. 15

Or

A vehicle costs ₹ 15,600 and its life is estimated at 5 years, after which its value is estimated as ₹ 600. The following expenditures are available :

Insurance—₹ 850
License—₹ 750
Administration Overhead—₹ 2,000
Fuel Costs—₹ 20 per gallon and based on an estimated mileage of 30000 per year, the cost of lubricants is ₹ 15,000. The estimated consumption of fuel is 20 miles per gallon
The set of tyres cost—₹ 1,400 and their estimated mileage is 16000
The driver is paid—₹ 50 per week of 44 hours and is entitled to a fortnight's paid holiday per annum

The company's contribution towards insurance scheme is ₹ 10 per week. For each fortnight spent away from home, the driver is paid a subsistence allowance of ₹ 10. It is estimated that the vehicle will run 220 days per annum
Repairs over the life of the vehicle are estimated at ₹ 5,000

Prepare Operating Cost Statement. 15

3. *(a)* The following particulars relating to the year 2018 have been taken from the books of *A* Ltd. :

	Kg	₹
Stock on 01.01.2018 :		
Raw Materials	2000	2,000
Finished Goods	500	1,750
Factory Stores		7,250
Purchases :		
Raw Materials	160000	1,80,000
Factory Stores		24,250
Sales :		
Finished Goods	153050	9,18,000
Factory Scrap		8,170
Factory Wages		1,78,650
Power		30,400
Depreciation on Machinery		18,000
Salaries :		
Factory		72,220
Office		37,220
Selling		41,500
Expenses :		
Direct		18,500
Office		18,200
Selling		18,000

	Kg	₹
Stock on 31.12.2018 :		
Raw Materials	1200	
Finished Goods	450	
Factory Stores		5,550

The stock of finished goods at the end of 2018 was valued at factory cost. Prepare the Cost Sheet. 10

(b) Distinguish between Contract Costing and Process Costing. 5

Or

A company closes its books of accounts on 31st December, 2018 :

Item		₹
Work-in-Progress on 31st December, 2017	34,00,000	
Less : Advance from Contractees	22,00,000	12,00,000
Materials supplied to contract Direct		2,40,000
Materials issued from stores		4,20,000
Wages		3,40,000
Materials returned to stores		22,000
Working Expenses		60,000
Finished Contract		9,00,000
Work Uncertified		34,40,000
Administrative Expenses (excluding chargeable to Profit and Loss A/c ₹ 10,000)		40,000
Plant Issued		1,00,000

Item	₹
Profit taken to Profit and Loss A/c on completion	4,60,000
Work-in-Progress (profit not taken credit for kept as Reserve)	60,000
Materials returned to Supplier	18,000
Advance from Contractee	16,00,000
Plant at site	80,000

Prepare the Contract Ledger Control Account and Total Contractee Account in the General Ledger. Also show how the Work-in-Progress will appear in the Balance Sheet as on 31st December, 2018. 15

4. *(a)* Define marginal costing and state its basic assumptions. 5

(b) *R* Co. furnishes the following information :

	Year—2018	
	First Half (₹)	*Second Half* (₹)
Sales	5,00,000	6,00,000
Profit/Loss	(–) 10,000	10,000

From the above, you are required to compute the following assuming that the fixed cost remains same in both the periods. Compute Break-even Point. 10

Or

Following informations are provided for two products *X* and *Y* :

Particulars	*Product—X* per unit (₹)	*Product—Y* per unit (₹)
Direct material (₹ 2 per kg)	30	40
Direct labour (₹ 5 per hour)	20	30
Variable overhead	10	15
Sales	90	140

State the profitability of the products when—

(a) direct material is in short supply;

(b) production capacity in terms of labour hour is the key factor;

(c) sales is the limiting factor. 5+5+5=15

5. The standard cost of a chemical mixture is as under :

16 tons of material *A* at ₹ 40 per ton
24 tons of material *B* at ₹ 60 per ton
Standard yield is 90% of input

Actual cost for the period is as under :

20 tons of material *A* at ₹ 30 per ton
40 tons of material *B* at ₹ 68 per ton
Actual yield is 53 tons

Calculate the following : 15

(a) Material Cost Variance

(b) Material Usage Variance

(c) Material Price Variance

(d) Material Yield Variance

(e) Material Mix Variance

Or

Define budget and budgetary control. State the objectives, advantages and limitations of budgetary control. 15

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