

Paper / Subject Code: 23107 / Financial Accounting and Auditing VIII - Cost Accounting

Time: 3 Hrs

Marks: 100

Note:

- All Questions are compulsory.
- Figures to the right indicate full marks allotted to the questions.
- Working Notes wherever necessary should form a part of your answer.
- Calculate figures up to the two decimal points wherever required.

Q1 a) Select the most appropriate option and rewrite the full sentence  
(Any Ten) (10Marks)

- 1) Royalty on production is \_\_\_\_\_.  
(a) Fixed cost  
(b) Semi-Variable cost  
(c) variable cost  
(d) Semi-Fixed cost
- 2) \_\_\_\_\_ = Direct Material + Direct labour + Direct expenses.  
(a) Prime cost  
(b) administration cost  
(c) selling cost  
(d) Overhead
- 3) At \_\_\_\_\_, new order for material is placed.  
(a) Maximum level  
(b) Minimum level  
(c) danger level  
(d) Reorder level
- 4) \_\_\_\_\_ is the maximum of stock which can be held in stock at any time during the year.  
(a) maximum level  
(b) minimum level  
(c) reorder level  
(d) danger level
- 5) Labour Turnover is \_\_\_\_\_.  
(a) Productivity of Labour  
(b) Efficiency of the Labour  
(c) Change In Labour Force  
(d) Total Cost of the Labour.
- 6) Bonus under Halsey plan is paid at \_\_\_\_\_.  
(a) 50% of time saved  
(b) 75% of time saved  
(c) 80% of time saved  
(d) 90% of time saved
- 7) Tea & Lunch break is \_\_\_\_\_.  
(a) Overtime  
(b) Normal idle time

- 8) When the amount of overhead absorbed is less than the amount of overhead incurred, it is called \_\_\_\_\_  
(a) under absorption of overhead  
(b) over absorption of overhead  
(c) proper absorption of overhead  
(d) lower absorption of overhead
- 9) Indirect Cost \_\_\_\_\_  
(a) Can Be traced to a particular cost object  
(b) Cannot Be traced to a particular cost object  
(c) Are not important  
(d) Are always variable cost.
- 10) The process of charging the traceable overheads to cost centre is called as \_\_\_\_\_  
(a) overheads allocation  
(b) overheads charging  
(c) overheads allotment  
(d) overheads apportionment
- 11) Costs which are incurred on the basis of time and are charged to the period in which they are incurred are called as \_\_\_\_\_  
(a) Fixed Costs  
(b) Variable Costs  
(c) Normal Cost  
(d) Abnormal Cost
- 12) Selling & Distribution Overheads does not include \_\_\_\_\_  
(a) Director's Fees  
(b) Carriage on Sales  
(c) Rent of Warehouse  
(d) Advertisement

Q1 (b) State whether the Following Statements are True or False (Any 10).  
(10 Marks)

1. Office rent is Prime cost
2. Administration Cost is not included in cost of Work in Progress.
3. Variable cost is the cost which does not vary with the changes in the volume of activity in the short run
4. Re-order level is calculated as Maximum level - Minimum level
5. Under the weighted average method, a new issue price is determined after each purchase
6. Materials are issued from one process to another, on the basis of Goods Received Note
7. Reconciliation of Cost and Financial Accounts is necessary in case of non-integrated system of accounts.
8. Profit on sale of investment is considered in cost accounts
9. Transit Insurance relates to Value of Goods In Transit
10. Preliminary expenses written off appears only in financial accounts.

Q2. a) The following information is available from the books of MK Ltd. for the year 2020 and 2021.

(10 Marks)

Particulars	2020	2021
Stock Turnover Ratio	4 Times	?
Opening Stock Rs.	40,000	30,000
Closing Stock Rs.	80,000	50,000
Purchases Rs.	?	3,40,000

From the above information find out

1. Purchases and Cost of Goods sold for the year 2020.
2. Stock Turnover Ratio and Cost of Goods sold for the year 2021.

Q2. b) Vosco Ltd. has collected the following data for one of its material X which is as follows:

(10 Marks)

Annual demand 48,000 units. Cost per item Rs. 20.  
 Interest of the locked-up capital 3%, pilferage while holding inventory 2%,  
 other holding cost 5%,  
 Order processing cost Rs. 120 for each order.

1. What should be the EOQ?
2. Calculate the Number of orders to be placed in a year.
3. Calculate the Total Annual Ordering Cost
4. Calculate the Total Annual Carrying Cost
5. Calculate the Total annual Material Cost

Or

Q2) Trading and Profit and Loss Accounts of X Ltd. for the year ended 31<sup>st</sup> March 2021.

(20 marks)

Particulars	Rs.	Particulars	Rs.
To Materials Consumed	3,50,000	By Sales (12,500 units)	18,75,000
To Direct Wages	2,25,000		
To Factory Overheads	3,00,000		
To Gross Profit c/d	10,00,000		
	<b>18,75,000</b>		<b>18,75,000</b>
To Office Rent	75,000	By Gross Profit b/d	10,00,000
To General Expenses	75,000	By Dividend Received	13,500
To Management expenses	62,500	By Interest on Investment	6,500
To Advertisement	1,25,000		
To Salesmen Commission	1,50,000		
To Goodwill w/off	22,500		
To Interest on Loan	14,500		
To Net Profit c/d	4,95,500		
	<b>10,20,000</b>		<b>10,20,000</b>

For the year ending 31<sup>st</sup> March 2022 following estimates have been made:

3. Direct wages per unit will increase by 40%.
4. Of the factory overheads Rs 1,50,000 are Fixed and would remain same. And variable Overhead Per unit would also remain same as in 2020-21
5. Total office and administrative overheads would be Rs. 2,80,000
6. Selling and Distribution overheads per unit will remain same.
7. Selling price per unit would rise by 10%.

You are required to prepare:

- 1) Cost Sheet for the year ended 31<sup>st</sup> March 2021 showing cost per unit and total cost and
- 2) Estimated cost sheet for the year ending 31<sup>st</sup> March 2022 showing cost per unit and total cost.

Q.3 The company has Three production departments X, Y and Z and Two service departments S-1 and S-2. (20 Marks)

The following estimates of expenses are available.

Particulars:	Rs.
Staff Canteen Expenses	5,40,000
Insurance on Machinery	7,68,000
Insurance on Buildings	7,04,000
Staff Welfare Expenses	10,80,000
Power	5,28,000
Rent and Rates	2,56,000
Depreciation on Machinery	7,20,000
Building Repairs	1,65,000
General expenses( proportionate to direct Wages)	5,00,000

Other technical details about departments are as under:

Particulars	X	Y	Z	S-1	S-2
Floor Space ('000 sq. ft.)	10	20	30	10	10
Number of Workers	10	15	15	5	5
H.P. of Machine	30	20	25	15	10
Cost of Machine (Rs. in Lakhs)	5	2	1	1	1
Direct Wages (Rs In '000)	20	25	25	15	15

Show Primary Distribution of Overhead Expenses.

OR

- Q.3 (a) A worker produced 200 units in a week's time. (10 Marks)  
 Working Hours in a week are 45  
 The guaranteed weekly wage payment is Rs.81.  
 The expected time to produce one unit is 18 minutes  
 What will be the earnings of that worker under Halsey (50% sharing) premium plan and Rowan bonus schemes?

- Q.3 (b) A machine costs Rs.12,00,000 and is deemed to have a scrap value of 10% at the end of its effective life (12 years). (10 Marks)  
 Ordinarily the machine is expected to run for 1,800 hours per year, but it is estimated that 200 hours of the time will be lost for normal repairs and maintenance. Other details in respect of machine shop are as under:

Details	Rs.
Annual wages, bonus, and provident fund contribution of operators for the Shop	1,60,000
Rent of shop per year	1,20,000
General lighting of the shop per month	6,000
Insurance premium for one machine per annum	28,000
Shop Supervisor's monthly remuneration	15,000
Cost of repairs and maintenance per machine	24,000
Power consumption of one machine per hour 10units @ Rs. 5 per unit	

There are Two identical machines in the shop.  
 Compute the machine hour rate from the above details.

- Q.4 (a) The Net Profit of Satish Limited for the year ended 31<sup>st</sup> March 2022 as per financial Records was Rs 5,00,000. (10 marks)  
 A scrutiny of the figures of the financial accounts and the cost accounts revealed the following facts.

Sr. No	Particulars	Rs
1	Administrative overheads under recovered in cost accounts	14,000
2	Over recovery of depreciation in financial accounts	30,000
3	Loss due to fire as per financial accounts	20,000
4	Abnormal wages charged in financial accounts	1,00,000
5	Income Tax provision as per financial records	2,00,000
6	Loss due to depreciation in stock values charged in financial records	40,000
7	Factory overheads over recovered in cost accounts	30,000
8	Interest on Investment credited in financial account	20,000
9	Bank interest credited to financial accounts	5,000

Prepare a Reconciliation statement and find out the profit or loss as per cost records.

- Q.4(b) from the following particulars, prepare stock record by FIFO Method (10 Marks)

Date	Transaction	Units	Rate Rs
4-1-2014	Purchase	40	30
17-1-2014	Purchase	60	28
20-1-2014	Sale	50	35

22-1-2014	Purchase	80	29
25-1-2014	Sale	80	33
28-1-2014	Sale	20	34
30-1-2014	Purchase	100	26
31-1-2014	Sale	90	35
The stock on hand on 1st January 2014 was 50 units @ Rs. 25 each.			

OR

- Q.4 Calculate the earnings of Workers A, B and C for the particular month. Also Calculate Labour Cost of Worker A, B, C and allocate the labour cost to each Job (20 marks)

Sr. No	Particulars	A	B	C
1	Basic Wages (Rs.)	200	300	400
2	Dearness Allowance	50%	50%	50%
Contribution to provident fund Of the Employer as well as that of the employee (8% of Basic and D.A.)				
Contribution to ESI Of the Employer as well as that of the employee (2% of Basic and D.A.)				
The three workers were employed on jobs X, Y, and Z in the following proportions				
Sr. No	Particulars	Job X	Job Y	Job Z
1	Worker A	20%	30%	50%
2	Worker B	40%	20%	40%
3	Worker C	60%	10%	30%

- Q5 A. Distinguish between Financial Accounting and Cost Accounting? (10 Marks)  
Q5 B. State the features of Halsey and Rowan method of payment of remuneration? (10 Marks)

OR

- Q5 Write Short Notes (Any Four out of Six) (20 Marks)

- 1) Causes of Labour Turnover
- 2) Material Turnover Ratio
- 3) Gantt Task Bonus Plan
- 4) Direct Cost
- 5) Selling and Distribution Overhead
- 6) Allocation Of Overhead and Apportionment of Overhead

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