

**LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034**

**B.A. DEGREE EXAMINATION – CORPORATE**

**FIFTH SEMESTER – APRIL 2010**

**CR 5501 - COST ACCOUNTING**

Date & Time: 29/04/2010 / 1:00 - 4:00 Dept. No.

Max. : 100 Marks

**SECTION – A**

Answer **ALL** the questions

(10 x 2 = 20 marks)

1. Define the terms (a) cost unit and (b) cost centre.
2. Distinguish between job costing and process costing.
3. What is Activity Based Costing?
4. What is ‘EBQ’?
5. Explain Merrick’s multiple Piece –rate system.
6. A Company buys its annual requirement of 36000 units in 6 instalments. Each Unit costs Re. 1/- and ordering cost is Rs. 25/-. The inventory carrying cost is estimated at 20% of unit value. Find EOQ.
7. Calculate total wages earned (including bonus) by 9 worker for a working day of 8 hours under Halsey and Rowan Plans.  
Standard production per hour : 6 units  
Production during the day : 64 units  
Rate of wages : Rs 2 per hour
8. Calculate Maximum level and Minimum level from the following data;  
Re-order quantity : 1500 units  
Re-order period : 4-6 weeks  
Maximum consumption : 400 units per week  
Normal consumption : 300 units per week  
Minimum Consumption : 250 units per week
9. What are the bases for apportionment of expenses given below to the different department (1)Stores expenses (2)Lighting (3) Labour welfare (4)Depreciation.
10. Find out the value of closing stock under LIFO;  
Purchases of material on 1-6-09 2000 units @ Rs 20 per unit.  
Purchase of Material on 8-6-09 1200 units @ Rs 22 per unit  
Issue on 10-6-09 : 1800 units

**SECTION -B**

Answer any **FIVE** questions

(5 x 8 = 40 marks)

11. “Financial accounting treats costs very broadly while the cost accounting does this in much greater detail” Explain this statement and state the limitations of financial accounting.
12. There will usually be a difference between financial profit and cost profit. What are the possible reasons for such difference?
13. What is labour turn-over? Explain its causes and effects and also suggest the steps to reduce labour turn-over.
14. Prepare a statement showing the pricing of issues, on the basis of (a) Simple Average, and (b) Weighted Average Methods from the following information pertaining to material ‘X’  
Date  
1 Purchased 100 units @ Rs. 10.00 each  
2 Purchased 200 units @ Rs. 10.20 each  
5 Issued 250 units to Job A vide MR No. 1  
7 Purchased 300 units @ Rs. 10.50 each  
10 Purchased 200 units @ Rs. 10.80 each  
13 Issued 200 units to Job B vide MR No. 2  
18 Issued 200 units to Job C vide MR No. 3  
20 Purchased 200 units @ Rs. 11.00 each  
25 Issued 150 units to Job D vide MR No. 4.

15. From the following particulars you are required to prepare a statement showing (a) the Cost of materials consumed, (b) Prime Cost, (c) Works Cost, (d) Total Cost, (e) The percentage of works overheads to productive wages and (f) the Percentage of general overheads to works cost:

	Rs.		Rs.
Stock of Finished Goods		Productive wages	5,16,880
On 1-1-2008	72,800	Stock of Finished Goods	
Stock of Raw Materials		on 31-12-2008	78,000
On 1-1-2008	33,280	Stock of Raw Materials	
Purchase of Raw Materials	7,59,200	on 31-12-2008	35,360
Sale of Finished Goods	15,39,200	Works Overhead Charges	1,29,220
		Office & General Expenses	70,161

The Company is about to send a tender for a large plant. The Costing Department estimated that the materials required would cost Rs. 52,000 and the wages to workmen for making the plant would cost Rs. 31,200. The tender is to be made at a net profit of 20% on the selling price. Show what the amount of tender would be if based on the above percentages.

16. Compute the Machine Hour Rate from the following data:

	Rs.
Cost of machine	1,00,000
Installation charges	10,000
Estimated scrap value after the expiry of its life(15 years)	5,000
Rent and Rates for the shop per month	200
General lighting for the shop per month	300
Insurance premium for the machine per annum	960
Repairs and Maintenance expenses per annum	1,000
Power consumption-10 units per hour	---
Rate of power per 100 units	20
Estimated working hours per annum – 2,200	
This includes setting up time of 200 hours	---
Shop supervisor's salary per month	600

The machine occupies 1/4 th of the total area of the shop. The supervisor is to devote 1/5<sup>th</sup> of his time for supervising the machine.

17. Union Transport Company supplies the following details in respect of a truck of 5 tonne capacity :

Cost of truck	Rs. 4,50,000
Estimated life	10 years
Diesel, oil, greese	Rs. 150 for each way of a trip
Repairs and Maintenance	5,000 per month
Drivers' wages	5,000 per month
Cleaners' wages	2,500 per month
Insurance	4,800 per year
Tax	2,400 per year
General supervision charges	4,800 per year

The truck carries goods to and from the city covering a distance of 50 km. each way

In outward trip, freight is available to the extent of full capacity and on return 20% of capacity.

Assuming that the truck runs on an average of 25 days a month, work out: (a) Operating cost per tonne-km, (b) Rate per tonne per trip that the company should charge, if a profit of 50% on freight is to be earned.

18. During the month of July 2008, 2,000 units were introduced into Process I. The cost of the 2,000 units was Rs. 11,600 . At the end of the month 1,500 units had been produced and transferred to Process II; 360 units were still in process; and 140 units had been scrapped in process-I. A normal loss of 5% on input is allowed. It was estimated that the incomplete units ( i.e. the work-in-progress) had reached a stage in production as follows:

Material	75% completed
Labour	50% completed
Production overhead	50% completed

The total cost incurred were( in addition to the cost of 2,000 units):

Direct materials introduced during the process	Rs. 3,080
Direct wages	Rs. 6,880
Production overheads	Rs. 3,440
Units scrapped realized	Rs. 2 each

The units scrapped had passed through the process, so were 100% completed as regard to material, labour and overhead.

**Prepare the Process Account.**

**SECTION - C**

Answer any **TWO** questions

(2 x 20 = 40 marks)

19. The audited final accounts showed a profit of Rs. 30,500 whereas costing records showed a profit Rs. 36,700. From the following additional information, reconcile the two accounts.

Profit and Loss Account  
For the year ended 31<sup>st</sup> March 2008

	Rs.		Rs.
Opening Stock	5,05,000	Sales:	7,10,000
Purchases	1,75,500	Closing stock:	1,80,000
Factory overheads	45,000		
Wages	80,000		
Gross Profit c/d	<u>85,000</u>		
	<u>8,90,000</u>		<u>8,90,000</u>
Administration overhead	20,300	Gross Profit b/d	85,000
Selling expenses	24,500		
Distribution expenses	11,200	Interest received	1,000
Net Profit	<u>30,500</u>	Dividend Received	500
	<u>86,500</u>		
			<u>86,500</u>

The cost accounts showed the following:

- Closing stock balance of Rs. 1,85,000
  - Wages absorbed Rs. 82,500
  - Factory Overheads absorbed Rs.42,000
  - Administration expenses charged at 3% of sales value
  - Selling expenses charged at 3% of sales value
20. The following balances were extracted from the books of a building contract on 31<sup>st</sup> March 2009 regarding Contract No. 123.

	Rs.
Materials issued to site	62,720
Wages paid	73,455
Wages outstanding on 31.3.2009	720
Plant issued to site	6,000
Direct charges paid	2,515
Direct charges outstanding on 31.3.2009	210
Establishment charges	5,650
Stock materials at site on 31.3.2009	1,200
Value of work certified on 31.3.2009	1,65,000
Cost of work not yet certified	3,500
Cash received	1,41,075

The work was commenced on April 1, 2008 and the contract price agreed at Rs. 2,45,000. Prepare contract account for the year providing for depreciation of plant at 25%. Calculate the profit or loss in the contract to date and make such provision in the contract account as you consider desirable. Set out also Contractor's Balance Sheet so far as it relates to the contract account.

21. A Product is manufactured by passing through three processes A, B and C. The following information is obtained from the accounts for the month ending March, 2005:

Items	Process		
	A	B	C
	Rs.	Rs.	Rs.
Direct material (6000 units)- Rs.	12,000	-	-
Direct materials added (Rs.)	5,000	9,000	4,000
Direct wages (Rs.)	4,000	6,000	2,000
Direct expenses (Rs. )	800	1,680	2,260
% of Normal Loss to input	5%	10%	5%
Output(in units) during the month	5,760	5,100	4,880
Value of scrap per unit(Rs.)	1.5	2	4

- You are required to prepare (1) Accounts for processes A, B, and C,  
(2) Abnormal loss and abnormal gain accounts and (3) Normal Loss Account

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