

IV Semester B. Com. Examination, June 2008

(Semester Scheme)

COST ACCOUNTING (Paper - 4.6)

Time: 3 Hours

Max. Marks: 90

*Instruction : Answers should be written completely either in Kannada or in English.*

Section-A

1. Answer any ten questions of the following. Each question carries two marks. (10x2=20)
- Define cost accounting.
  - Give the meaning of direct labour with two examples.
  - Give the meaning of cost centre with two examples.
  - What is Materials Control ?
  - What is Time Study ?
  - What is Normal Idle Time ?
  - Give the meaning of Piece Rate System and state any two advantages.
  - What is Labour Hour Rate ?
  - What is perpetual inventory control system ?
  - What is Merit Rating ?
  - State the bases of apportionment of the following :
    - Supervision expenses
    - Electric power
    - Labour welfare expenses
    - Depreciation on machinery
  - Wages per hour Rs. 80; standard hours 80; Time taken 60 hours. Calculate earnings under Rowan Plan.

Section-B

Answer any five of the following. Each question carries five marks.

- (5x5=25)
- Briefly explain any five advantages of cost accounting.
  - What is ABC analysis ? What are its advantages ?
  - Distinguish between simple average method and weighted average method.
  - Briefly explain any five essentials of an ideal wage system.
  - Give the meaning of EOQ and calculate EOQ from the following :  
Monthly consumption 1,500 units  
Ordering cost Rs. 50 per order  
Inventory carrying cost per month per unit Rs. 0.60.
  - Prepare Stores Ledger under FIFO method from the following information.  
June 07, 2007 Purchased 500 units @ Rs. 12 per unit  
June 13, 2007 Purchased 700 units @ Rs. 10 per unit  
June 22, 2007 Issued 1,000 units

June 25, 2007 Purchased 1,500 units @ Rs. 8 per unit

June 30, 2007 Issued 1,000 units.

8. From the following details ascertain profit.

	Units	Rs.
Cost of production	30,000	15,00,000
Opening stock	5,000	2,25,000
Closing stock	8,000	?
Selling and distribution overheads per unit sold	-	5
Total sales	-	20,00,000

9. From the following details, calculate labour cost per day of 8 hours :

Basic Pay Rs. 7,500 per month

DA 50%

Leave salary 10% of Basic Pay & DA

Contribution to RPF 8% of Basic Pay & DA

Contribution to ESI 4% of Basic Pay & DA

Pro-rata canteen expenses Rs. 775 per month per worker.

Total working hours per month 200

### Section-C

**Answer any three questions of the following. Each question carries fifteen marks. (3x15=45)**

10. Following particulars relate to Nischal Ltd., for the year 2007.

	Rs.
Stock of raw-materials on 1-1-2007	2,25,000
Stock of finished goods on 1-1-2007	2,23,000
Stock of raw-materials on 31-12-2007	2,75,000
Stock of finished goods on 31-12-2007	3,40,000
Purchase of raw-materials	19,50,000
Productive wages	14,00,000
Works oncost	2,80,000
Office oncost	5,37,000
Sales oncost	2,00,000
Sales	50,00,000

The company has to submit a quotation for a large order. It is estimated that direct materials and direct labour required would cost Rs. 2,40,000 and Rs. 1,80,000 respectively.

You are required to -

- Prepare a statement of cost and profit for the year 2007;
- Calculate the percentage of works oncost to productive wages and office oncost to works cost for the year 2007; and
- Prepare a statement based on the previous year's percentages showing the quotation price for the large order assuming that 20% profit is expected on the quotation price.

11. Following is the history of receipts and issues of raw-material in Nitin Ltd., during April 2008

April 1 Opening balance 500 units at Rs. 25 per unit

" 3 Issued 70 units

4 Issued 100 units

" 8 Issued 80 units

" 13 Purchased 200 units at Rs. 24.50 per unit

" 14 Return of surplus 15 units at Rs. 24

" 16 Issued 180 units

" 20 Purchased 240 units at Rs. 24.40 per unit

" 24 Issued 304 units

" 25 Purchased 320 units at Rs. 24.30 per unit

" 26 Issued 112 units

" 27 Return of surplus 12 units at Rs. 24.50 per unit

" 28 Purchased 100 units at Rs. 25 per unit and paid freight charges Rs. 200.

The stock verification reveals that on the 15<sup>th</sup> April, 2008 there was a shortage of 5 units and on 27<sup>th</sup> April, 2008 another shortage of 8 units.

You are required to prepare Stores Ledger under LIFO method.

12. (a) From the following data calculate average stock level.

Maximum usage 3,600 units

Minimum usage 2,400 units

Time lag for procurement of materials 2-6 weeks

Re-ordering quantity 9,000 units.

AND

(b) Following data is available in respect of Machine A and Machine B. Calculate Machine Hour Rate.

	Rs.
Consumable Stores — Machine A	3,000
Machine B	5,000
Repair expenses Machine A	2,574
Machine B	5,616
Depreciation	18,000
Insurance — Machineries	15,000
Building	12,000
Room Services	3,000
General Expenses	2,000

**Additional information :**

Particulars	Machine	
	A	B
Working Hours (No.)	2,200	1,800
Area Occupied (Sq. ft.)	3,000	5,000
Book value (Rs.)	40,000	60,000

Note : General expenses should be apportioned equally between Machine A and Machine B.

13. Nishanth Ltd., has three production and two service departments. From the following figures prepare the overhead distribution summary using repeated distribution method for secondary distribution and calculate the overhead rate per labour hour.

Particulars	Production Department			Service Departments	
	A	B	C	D	E
Direct materials (Rs.)	45,000	30,000	15,000	12,000	9,000
Direct wages (Rs.)	30,000	22,500	15,000	6,000	4,500
Value of machines (Rs.)	60,000	45,000	30,000	—	—
Floor area (sq.ft.)	30,000	20,000	15,000	10,000	5,000
HP of machines	240	200	160	—	—
No. of light points	120	90	60	30	20
No. of labour hours	5,000	5,000	5,000	—	—

Other details :

Indirect materials Rs. 22,200; Indirect wages Rs. 15,600;

Depreciation on machinery Rs. 27,000; Depreciation on buildings Rs. 12,000; Rent, Rates and taxes Rs. 9,000; Electric power Rs. 33,750; Lighting Rs. 2,400; General expenses Rs. 7,800.

The service rendered by each service department to other departments is as under:

Departments	A	B	C	D	E
D	30%	40%	20%	—	10%
E	10%	20%	50%	20%	—

14. From the following details, you are required to prepare a statement reconciling the profit shown as per cost books with the profit shown as per financial books.

Particulars	Cost Books Rs.	Financial Books Rs.
(a) Net profit	3,46,750	3,38,650
(b) Works overheads/expenses	37,600	33,250
(c) Administration overheads/expenses	42,500	46,200
(d) Selling overheads/expenses	31,300	35,800
(c) Value of opening stock	18,000	22,300
(f) Value of closing stock	23,000	25,800
(g) Depreciation	21,500	18,600
(h) Stores adjustment (credit)	—	1,250
(i) Reserve for doubtful debts	—	7,250
(j) Interest on bank deposits	—	6,150
(k) Loss on sale of machinery	—	5,800