

PREVIOUS QUESTION PAPER
IV Semester B.Com Examination May/June 2006
COST ACCOUNTING

Time: 3 Hours

Max. Marks: 90

Instruction: Answers should be written completely in English.

SECTION A

Answer **any ten** sub-questions. Each question carries **2** marks:

(10x2=20)

Q.1

- a) Distinguish time study from motion study.
- b) Define costing.
- c) What are 'Notional Expenses'? Give examples.
- d) What is lead time?
- e) State the different types of incentives methods.
- f) Give the meaning of semi-variable cost. Give an example.
- g) Distinguish between works on cost and works cost.
- h) What is Merit Rating?
- i) How do you treat work-in-progress in cost sheet?
- j) How will you apportion the following expenses among various departments?
 i) Depreciation ii) Rent iii) Repairs iv) Supervision
- k) Write any four items which appear only in Financial accounts.
- l) Find out the EOQ from the following:
 Annual usage 6,000 units, cost of material per unit Rs. 20, cost of placing and receiving one order Rs. 60, annual carrying cost of one unit 10% of inventory value.

SECTION B

Answer **any 5** of the following:

(5x5=25)

2. What is a cost sheet? What are its advantages?
3. Briefly explain the various techniques of inventory control.
4. Explain the following methods of wage payment:
 - a) Taylor's differential piece rate system
 - b) Merrick's multiple piece rate system.
5. What is reconciliation Statement? List the reasons for the difference between profit shown by cost and financial accounts.
6. A Modern Spares supplies you the following figures for the year 2001:
 Production 1,000 units
 Cost of material Rs. 20,000
 Labour Cost Rs. 12,000
 Factory overhead Rs. 8,000
 Office overhead Rs. 4,000
 Selling expenses Rs. 1,000
 Rate of profit 25% on selling price.

The manufacturer decides to produce 1,500 units during the year 2002. It is estimated that cost of raw material will increase by 20%, labour cost will increase by 10%, 50% of overhead charges are fixed and other 50% of the overhead charges are variable. The selling expenses per unit will be reduced by 20%. The rate of profit will remain the same. Prepare a statement for 2002 showing i) Total profit and ii) Selling price per unit.

Calculate a) Re-order level b) Re-order quantity and c) Maximum Stock level.

Minimum stock level: 2,550 units

Average stock level : 4,550 units

Consumption : Minimum 800 units per month

Maximum 1500 units per month

Delivery period: Minimum 2 months

: Maximum 4 months

From the following information, prepare Stores Ledger Account under simple average method.

Jan 2005, 1 Received 500 units at Rs. 20 per unit

" 10 Received 300 units at Rs. 24 per unit

" 15 Issued 700 units

" 20 Received 400 units at Rs. 28 per unit

" 25 Issued 300 units

" 28 Received 500 units at Rs. 22 per unit

" 31 Issued 200 units

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

Cost of the Machine Rs. 2,00,000

Installation charges Rs. 20,000

Estimated scrap value after the expiry of its life of 15 years Rs. 10,000

Rent for the shop per month Rs. 400

General lighting for the shop per month Rs. 600

Insurance premium for the machine p.a. Rs. 1,920

Repair expenses p.a. Rs. 2,000

Lower 10 units per hour

Rate of power per 100 units Rs. 40

Estimated working hours p.a. 2,000

Shop Supervisor's salary per month Rs. 1,200

The machine occupies 1/4th of the total area of the shop. The supervisor devotes 1/3rd of his time for this machine.

SECTION C

Answer any 3 of the following:

(3x15=45)

10. On March 2004 there are 1,500 units of material at Rs. 12 per unit in stock. The following transactions were made during the month. Prepare Stores Ledger Account by FIFO and LIFO methods.

March 2 Issued 200 units

" 4 Purchased 1,000 units at rs. 15 per unit

- " 8 Issued 1,200 units
 " 12 purchased 600 units at Rs. 20 per unit
 " 15 Issued 650 units
 " 20 Returned to stores from issued of March 2, 100 units
 " 24 Purchased 300 units at rs. 25 per unit
 " 28 Issued 250 units
 " 30 Issued 300 units.

11. Following are the particulars for the production of 2,000 sewing machines of Bharath Engineering co. Ltd. for the year 2004.

Cost of materials Rs. 1,60,000 wages Rs. 2,40,000, Manufacturing expenses Rs. 1,00,000, Office salaries Rs. 1,20,000, Office rent, rates and insurance Rs. 20,000, General expenses Rs. 40,000 Selling expenses Rs. 60,000 and Sale of Rs. 8,00,000.

The company plans to manufacture 3,000 sewing machines during 2005. You are required to submit a statement showing the price at which machines would be sold so as to show a profit of 10% on selling price. The following additional information is supplied to you:

- Price of material is expected to rise by 20%
 - Wage rates are expected to show an increase of 5%.
 - Manufacturing expenses will rise in proportion to the combined cost of material and wages.
 - Selling expenses per unit will remain the same.
 - Other expenses will remain unaffected by the rise in output.
12. The following particulars relate to a manufacturing company which has 3 Production departments A, B and C and two Service departments X and Y.

	Production depts.			Service depts	
	A	B	C	X	Y
	Rs.	Rs.	Rs.	Rs.	Rs.
Total departmental overheads as per primary distribution	6,300	7,400	2,800	4,5000	2,000

The company decided to charge the service Dept. cost on the basis of the following percentages.

	A	B	C	X	Y
X	40%	30%	20%	-	10%
Y	30%	30%	20%	20%	-

Find out the total overhead of production depts. charging service dept. cost to production depts. by Simultaneous Equation method.

13. From the following figures, prepare a Reconciliation statement.
 Net profit as per Financial accounts Rs. 1,13,000. Net profit as per Cost accounts Rs. 2,00,000, income tax provided in Financial accounts Rs. 60,000, share transfer fees credited in Financial accounts Rs. 4,000.

Overheads as per cost accounts were estimated at Rs. 34,000 whereas Rs. 28,000 were charged in Financial accounts.

Company provided Rs. 20,000 for doubtful debts. Directors fees shows in Financial accounts Rs. 8,000. Depreciation charged in financial accounts Rs. 7,000. Value of closing stock in cost accounts Rs. 18,750. Value of closing stock in financial accounts Rs. 20,750, interest on investment not included in cost accounts Rs. 4,000.

Goodwill written off in Financial accounts Rs. 9,000. Stores adjustments credited in Financial accounts Rs. 1,000.

- 14 a) A workmen's wage for a guaranteed 48 hour week is Rs. 25 per hour. Estimated time to produce one article is 20 minutes and under incentive scheme the time allowed is increased by 80%. During a week the workman produced 100 articles. Calculate his time wages under i) Time Rate ii) Price Rate iii) Halsey Plan iv) Rowan Plan.

b) Calculate the earnings of the workers under following;

i) Taylor's plan ii) Merrick's Plan

Time rate Rs. 3 per hour, standard output per hour 6 units.

Differential rates are:

1) Low piece rate at 80% of normal piece rate.

2) High piece rate at 120% of normal piece rate.

In a day of 8 hours, A produced 39 units, B 45 units, C 48 units and D 50 units.