

**PREVIOUS QUESTION PAPER**  
**IV Semester B.Com Examination May/June 2007**  
**COST ACCOUNTING**

Time: 3 Hours

Max. Marks: 90

*Instruction: Answers should be written completely in English.*

**SECTION A**

1. Answer any ten sub-questions. Each question carries 2 marks: (10x2=20)
- a) Define the term cost.
  - b) Write two objectives of cost accounting.
  - c) What are indirect materials? Give examples.
  - d) What is goods received note? Who prepares it?
  - e) What is overtime? Mention two causes for it.
  - f) What are the objects of codification of materials?
  - g) What is labour turn over?
  - h) At what stages work in progress are accounted in cost sheet?
  - i) What are the types of cost centres?
  - j) What is secondary distribution of overhead?
  - k) What are variable overheads? Give examples.
  - l) Mention two objects of considering notional costs in costing.

**SECTION B**

Answer any 5 of the following:

(5x5=25)

2. Briefly explain the differences between cost accounting and financial accounting.
3. What is idle time? Give reasons for it.
4. What is meant by perpetual inventory system? Mention the advantages of the system
5. Explain the methods of overhead absorption.
6.
  - a) Mention two uses of EOQ.
  - b) Computer an ideal order quantity (EOQ) from the following data:  
 Consumption of material X: 6,250 units per annum.  
 Expenses of placing an order and receiving the consignment: Rs. 5/- per order.  
 Cost of storing the inventory per unit: Re. 1/-
7. A workman's wages for a guaranteed 44 hrs. week is Rs. 10/- per hour. The estimated time to produce an article is 30 minutes and under incentive scheme the time allowed is increased by 20%. During a week a workman produces 100 articles. Calculate his wages under Halsey system.
8. From the budgeted figures of Metal Lamp Caps Ltd., calculate overhead absorption rates using.
  - i) Direct Labour hour method
  - ii) Machine hour method

iii) Direct labour cost method

The budgeted figures for the year:

Factory overhead Rs. 1,16,000

Direct labour hours 1,34,600

Direct Labour Cost Rs. 1,95,600

Machine hours 50,500

9. The following are the overhead allocation of three production departments and two service departments viz X,Y,Z and S1 and S2 respectively.

X - Rs. 15,100, Y - 14,400, Z - 19,300, S1 - 9,250 and S2-3,150

Distribute the overheads of service department S1 and S2 to production departments and service departments as follows:

	X	Y	Z	S1	S2
S1	20%	30%	40%	-	10%
S2	40%	20%	30%	10%	-

SECTION C

Answer any 3 of the following:

(3x15=45)

10. The components M1 and M2 are used in the manufacture of an article. The following data relate to the components.

Minimum usage: 25 units per week each

Maximum usage: 75 units per week each

Reorder period: M1 - 4 to 6 weeks

M2 - 2 to 4 weeks

Maximum level : M1 - 650 units

M2 - 750 units

Calculate for each component:

- Reorder level
- Minimum level
- Reorder quantity and
- Average stock level

11. Show the Stores Ledger Entries as they would appear when using Simple Average method of pricing issues, using the following data.

		Units	Rate (Rs.)
2007 Jan	1st Opening balance	300	2.00
"	2nd Purchased	200	2.20
"	4th Issued	150	-
"	6th Purchased	200	2.30
"	11th Issued	150	-
"	19th Issued	200	-
"	22nd Purchased	200	2.40
"	27th Issued	250	-
"	28th Purchased	200	2.50
"	31st Issued	150	-

to the turn of 10 and 20 units respectively. There was a refund of surplus from a work order of 25th, 20 units, earlier issued on 4thJan. 2007.

12. The following particulars relates to a machine X. Computer the Machine Hour Rate of the machine using the data given below:

Cost of machine	Rs. 2,00,000
Estimated life	10 years
Scrap value	Rs. 20,000
Yearly working time (50 weeks of 44 hrs. each)	2,200 hrs.
Machine maintenance	200 hrs. p.a.
Machine setting time: 5% of total productive time (regarded as productive)	
Electricity 16 units per hour @ Rs. 2/- per units	
Chemicals required weekly	Rs. 400
Maintenance cost per year	Rs. 24,000

Two attendants control the machine operations together with six other identical machines. Their combines weekly wages are Rs. 2,800.

Departmental overhead allocated to this machine p.a. Rs. 40,000.

13. The profit as per cost accounts is Rs. 1,50,000. The following discrepancies are noticed on comparison of cost and financial accounts.

	Cost A/cs	Financial A/cs
	Rs.	Rs.
a) Opening stocks:		
Materials	10,000	15,000
Finished goods	18,000	16,000
b) Closing stocks:		
Materials	12,000	13,000
Finished goods	20,000	17,000

c) Notional interest accounted only in cost accounts Rs. 10,000

d) Preliminary expenses written off Rs. 500

e) Goodwill written off Rs. 1,500

f) Dividend received Rs. 1,000

g) Works overhead charged in financial accounts 90,000. But Rs. 85,500 recovered in cost accounts.

h) Rent received from sub-letting building Rs. 2,000

i) Interest on Bank deposit Rs. 5,000

j) Transfer fees collected Rs. 3,000

k) Administration overhead over recovered in cost accounts Rs. 7,000

l) Provisions for income tax Rs. 17,000

Find out the profit as per financial accounts by preparing a Memorandum Reconciliation Account.

14. The summarised Trading and Profit and Loss account of a manufacturer for the year ending 31st Dec. 2006 is given below. During the period he sold 400 units.

**Trading and Profit and Loss A/c**

	Rs.		Rs.
To Cost of Materials	16,000	By Sales	80,000
" Direct wages	24,000		
" Works expenses	10,000		
" Gross Profit C/d	30,000		
	80,000		80,000
To Office salaries	12,000	By Gross Profit B/d	30,000
" Rent and taxes	2,000		
" Selling expenses	4,000		
" General expenses	6,000		
" Net profit	6,000		
	30,000		30,000

The costing department of the company estimated for 2007 as follows:

- a) The output and sales would be 500 units
- b) Materials prices would increase by 25%
- c) Wages are expected to rise by 12 1/2%
- d) Works expenses would go up by 10%
- e) Selling cost per unit will remain the same.
- f) Office and other expenses would come down by 10%

From the above information prepare an Estimate showing the price to yield a profit of 10% on cost. Assume that rent and rates do not change and materials cost and wages vary as per change in output.