

LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – COMMERCE

FIFTH SEMESTER – APRIL 2010

CO 5501 - COST ACCOUNTING

Date & Time: 27/04/2010 / 1:00 - 4:00

Dept. No.

Max. : 100 Marks

PART – A

ANSWER ALL QUESTIONS

(10 x 2 =20 MARKS)

1. What are the elements of cost?
2. How do you value the closing stock of finished goods?
3. What is Bin card?
4. Write a short note on spoilage.
5. A transport service company is running four buses between two towns which are 50 kms. Apart, seating capacity of each bus is 40 passengers. Actual passengers carried were 75% of the seating capacity. All the four buses ran on all the days of the month. Each bus made one round trip per day. Calculate the total kms and total passengers kms for the month.
6. About 50 items are required every day for a machine. A fixed cost of Rs. 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Re. 0.20 per day. Compute EOQ.
7. Calculate the labour turnover rate by applying a) separation method and b) replacement method.

No. of workers on the payroll:

At the beginning of the month 900

At the end of the month 1,100

During the month 10 workers left; 40 workers were discharged and 150 workers were recruited. Of these, 25 workers are recruited in the vacancies of those leaving while the rest were engaged for an expansion scheme.

8. Find out the amount of rent apportioned to each department:
Rent : Rs. 8,000; space occupied by departments: A – 100 sq. feet; B – 200 sq. feet; c – 300 sq. feet; D – 400 sq. feet.
9. What is Machine hour rate ? How is it computed?
10. Calculate the cost of Sales of Job no. 618: Works cost Rs. 6,000; office on cost – 10% of works cost; selling overhead 5% of works cost.

PART – B

**ANSWER ANY FIVE QUESTIONS
MARKS)**

(5 x 8 =40

11. Prepare the cost sheet to show the total cost of production and cost per unit of goods manufactured by a company for the month of June 2009.

Rs.

Stock of Raw material (1.6.2009)	3,000
Raw material purchased	28,000
Stock of Raw materials, (31.6.2009)	4,500
Manufacturing wages	7,000
Depreciation on plant	1,500
Loss on sale of a part of plant	300
Factory rent and rates	3,000
Other rent	500
General expenses	400
Discount on sales	300
Advertisement expenses to be charged	600
Income tax paid	2,000
Sales	50,000

The number of units produced during June was 3,000.

The stock of finished goods was 200 and 400 units on 1-6-2009 and 31-6-2009 respectively. The total cost of the units on hand on 1-7-2009 was Rs. 2,800. All these had been sold during the month.

12. The components A and B are used as follows:

Normal usage	50 units per week each
Minimum usage	25 units per week each
Maximum usage	75 units per week each
Re-order quantity	A : 300 units B : 500 units
Re-order period	A : 4 to 6 weeks B : 2 to 4 weeks

Calculate for each component:

- a) Re-order level , b) Minimum level, c) Maximum stock level and d) Average stock level.

13. Prepare a stores ledger, assuming that the issue of materials is priced on the 'Weighted' average method. Following is the record of receipts and issue of a certain material in a factory during a week.

April 1	Opening balance 50 tons @ Rs. 10 per ton.
3	Issued 30 tons
4	Received 60 tons @ Rs. 10.125 per ton
5	Issued 25 tons (stock verification reveals loss of one ton).
6	Received back from complete work order 10 tons (Previously issued @ 10.00 per ton)
7	Issued 40 tons

14. During first week of April 2009, the workman Mr. X manufactured 300 articles. He receives wages for a guaranteed 48 hours week at the rate of Rs. 4 per hour. The

estimated time to produce one article is 10 minutes and under incentive scheme the time allowed is increased by 20%. Calculate his gross wages according to:

a) piece work with a guaranteed weekly wage b) Rowan premium bonus c) Halsey premium bonus .

15. Prepare a statement showing the cost per manday of eight hours:

- Basic salary and dearness allowance Rs. 300 per month
- Leave salary to the workman 6 percent of the basic and D.A.
- Employer's contribution to Provident fund: 6% of a) plus b)
- Pro-rata expenditure on amenities to labour Rs. 25 per head per month
- Number of working hours in a month 200.

16. Jaidka owns fleet of taxis and the following informations are available from the records maintained by him.

Number of taxis	10
Cost of each taxi	Rs. 20,000
Salary of manager	Rs. 600 p.m.
Salary of accountant	Rs. 500 p.m.
Salary of cleaner	Rs. 200 p.m.
Salary of mechanic	Rs. 400 p.m.
Garage rent	Rs. 600 p.m.
Insurance premium	5% per annum
Annual tax	Rs. 600 per taxi
Driver's salary	Rs. 200 p.m. per taxi
Annual repair	Rs. 1,000 per taxi.

Total life of a taxi is about 2,00,000 kms. A taxi runs in all 3,000 kms in a month of which 30% it runs empty. Petrol consumption is 1 litre for 10 kms, @ Rs. 1.80 per litre. Oil and other sundries are Rs. 5.00 per 100 kms.

Calculate the cost of running a taxi per km.

17. The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of the total weight is lost and 10% is scrap which from Processes A and B realizes Rs. 80 per ton and Rs. 200 ton respectively.

The following are the figures relating to both the processes:

	Process A	Process B
Materials in tons	1,000	70
Cost of materials per ton in rupees	125	200
Wages in rupees	28,000	10,000
Manufacturing expenses in rupees	8,000	5,250
Output in tons	830	780

Prepare Process cost accounts showing cost per ton of each process. There was no stock or work-in-progress in any process.

18. Prepare a reconciliation statement from the following details:

Net loss as per costing records	1,72,400
Works overhead under recovered in costing	3,120
Administrative overhead in excess	1,700
Depreciation charged in financial accounts	11,200
Depreciation recovered in cost accounts	12,500
Interest received not included in costing	8,000
Obsolescence loss charged in financial records	5,700

Income tax provided in financial books	40,300
Bank interest credited in financial books	750
Stores adjustments credited in financial books	475
Value of opening stock in – cost accounts	52,600
Financial books	54,000
Value of closing stock in – cost accounts	52,000
Financial books	49,600

PART – C

**ANSWER ANY TWO QUESTIONS
MARKS)**

(2 x 20 = 40

19. The following particulars are extracted from the books of a building contractor on 31-12-2009.

	Rs.
Materials	
Purchased	80,000
Transfer from other contracts	2,00,000
Issued from central stores	5,50,000
Wages	8,75,000
Indirect expenses	35,000
Inspection fees	15,000
General stores	40,000
Establishment charges	66,000
Scrap (material sold)	6,000

A cement mixing plant was purchased on 1st Jan 2009 for Rs. 80,000 and installation charges amounted to Rs. 20,000. Of the plant and material charged to the contract, plant which cost Rs. 3,000 and material which cost Rs. 2,500 were lost. On June 30th plant was transferred to another contract. An additional plant was purchased on October 1, for Rs. 2,00,000. Of the materials charged to contract, materials which cost Rs. 5,000 were sold for Rs. 5,500.

The contract price was Rs. 50 lakhs. Cash received on account till 31st Dec. 2009 amounted to Rs. 20 lakhs being 80% of work certified. The cost of work done but not certified was Rs. 75,000. The value of material on hand was Rs. 20,000. Charge depreciation on plant at 10% per annum. Prepare contract account. Show how work in progress account will appear in the Balance Sheet on 31st Dec. 2009.

20. On August 15, 2009 a manufacturer Soman desired to quote for a contract for the supply of 500 radio sets. From the following details prepare a statement showing the price to be quoted to give the same percentage of net profit on turnover as was realized during 6 months ending on 30th June 2009.

	Rs.
Stock of materials as on 1 st Jan 2009	20,000
Stock of materials as on 30 th June 2009	25,000
Purchase of materials during 6 months	1,50,000
Factory wages during 6 months	1,20,000
Indirect charges during 6 months	25,000
Opening stock of completed sets	Nil
Closing stock of completed sets	100
Sales during 6 months	3,24,000

The number of radio sets manufactured during these six months was 1450 sets including those sold and those stocked at the end of the period. The radios to be quoted are of uniform quality and size as were manufactured during the six months to 30th June 2009. As from August 1, the cost of factory labour has gone up by 10%

21. Modern manufacturers Ltd. have three production Departments P1, P2, P3 and two Service Departments S1 and S2, the details pertaining to which are as under:

	P1	P2	P3	S1	S2
Direct Wages (Rs.)	3,000	2,000	3,000	1,500	
195 Working hours	3,070	4,475	2,419	-	
- Value of machines (Rs.)	60,000	80,000			
1,00,000	5,000	5,000	H.P. of Machines	60	
30	50	10	-	Light Points	
10	15	20	10	5 Floor space (Sq. ft.)	
2,000	2,500	3,000	2,000	500	

The following figures extracted from accounting records are relevant:

	Rs.		Rs.
Rent and Rates	5,000	Power	1,500
General Lighting	600	Depreciation on machines	10,000
Indirect wages	1,939	Sundries	9,695

The expenses of the Service Departments are allocated as under:

	P1	P2	P3	S1	S2
S1	20%	30%	40%	-	10%
S2	40%	20%	30%	10%	-

Prepare a statement showing distribution of overheads to various Departments.

Prepare a statement of secondary distribution.

Calculate the overhead rate per hour.
