LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

**B.Com.** DEGREE EXAMINATION – **COMMERCE**

FIFTH SEMESTER – NOVEMBER 2012

# CO 5501 - COST ACCOUNTING

Date : 03/11/2012 Dept. No. Max. : 100 Marks

Time : 9:00 - 12:00

**PART A**

**Answer ALL questions:** **(10x2=20 marks)**

1. Mention 2 reasons why profits as per cost accounts and financial accounts differ.
2. How is idle time cost treated in cost accounts?
3. What is an escalation clause in a contract agreement?
4. What is a machine hour rate?
5. True or False
6. When actual loss is less than anticipated loss the difference is abnormal gain.
7. F.I.F.O method will show more profit when material prices are falling.
8. Compute the economic batch quantity for a company using batch costing with the following information:

Annual demand for the component 24,000

Set-up cost per batch Rs. 120

Carrying cost per unit of production Rs. 0.36

1. From the following data calculate minimum level for material X

Delivery time 2 to 4 weeks

Consumption 100 to 150 units per week

1. A taxi runs for 4000 kilometers per month of which 20% is run empty. The total expenses for the month is Rs.25,500. Calculate the cost per kilometre.
2. From the following data provided to you calculate Labour Turnover under Flux method.

No. of workers on the payroll:

At the beginning of the month 500

At the end of the month 600

During the month, 5 workers left, 20 persons were discharged and 75 workers were recruited. Of these, 10 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme.

1. From the following calculate the value of raw material consumed:

Raw materials purchased Rs.88,000

Opening stock of raw materials Rs.1,00,000

Freight and purchases Rs.5,500

Sale of material scrap Rs.2,000

Closing stock of raw materials Rs.1,23,500

**PART B**

**Answer FIVE questions only: (5x8=40 marks)**

1. Define Overheads. Distinguish between allocation, apportionment and absorption of overheads.
2. Write short notes on:
3. Taylor’s Differential Piece rate system.
4. Opportunity cost
5. Joint and By-products
6. Labour Hour rate.
7. The information given below has been taken from the cost records of a factory in respect of Job No.707:

Direct material Rs.4,010

Wage details:

Department A: 60 hours @ Rs.3 per hour

Department B: 40 hours @ Rs.2 per hour

Department C: 20 hours @ RS.5 per hour

The variable overheads are as follows:

Department A: Rs.5,000 for 5,000 hours

Department B: Rs.3,000 for 1,500 hours

Department C: Rs.2,000 for 500 hours

Fixed expenses estimated at Rs.20,000 for 10,000 working hours. Calculate the cost of the Job No.707 and the price for the Job to give a profit of 25% on the selling price.

1. A workman’s wage for a guaranteed 44 hour is Rs.10 per hour. The estimated time to produce one article is 30 minutes and under incentive scheme the time allowed is increased by 20%,. During one week the workman manufactured 100 articles. Calculate the gross wages under each of the following methods of remuneration:
2. Time-rate
3. Piece work with a guaranteed weekly wage
4. Rowan premium bonus
5. Halsey premium bonus, 50% to workman.
6. A Ltd prices issues under F.I.F.O method. From the following prepare the Stores Ledger for the month of October 2012:

October 1 Opening balance 500 units at Rs.2 per uni

6th Issued 250 units

13th Received 200 units at Rs.1.90 per unit

15th Returned from Department 15 units out of the issues on 6th

20th Issued 180 units

22nd Received 240 units at Rs.1.80 per unit

29th Issued 300 units

On 30th October the stock verifier found a shortage of 10 units.

1. M/s. Kishore & Co. Commenced the work on a particular contract on April 1, 2011. They close their books of accounts for the year on December 31, each year. The following information is available from their costing records on December 2011.

Material sent to site Rs.50,000

Wages Paid Rs.1,00,000

Foreman’s salary Rs.12,000

A machine costing Rs.32,000 remained in use on site for 1/5th of the year. Its working life was estimated at 5 years and scrap value at Rs.2,000. A supervisor is paid Rs.2,000 per month and had devoted one half of his time on the contract.

All other expenses were Rs.15,000. The material on site were Rs.9,000. The contract price was Rs.4,00,000. On December 31, 2011, 2/3rd of the contract was completed; however, the architect gave certificate only for Rs.2,00,000 on which 75% was paid.

Prepare the Contract Account.

1. Raj Motors owns a bus which cost Rs.3.80 lakhs. The bus has a life of 5 years and a scrap value of Rs.20,000 at the end of its life. The bus runs between two towns which are 100 kms apart. It makes two round trips a day and operates for 30 days in a month. It has a capacity of 50 passengers and the average occupancy is 80%. Other details are as follows:

Driver’s wages : Rs.9000 per month

Conductor’s wages : Rs.7000 per month

Garage rent : Rs.2000 per month

Office expenses : Rs.7000 per month

Taxes and insurance : Rs.12000 per annum

Repairs : 80% of depreciation

Diesel : Rs.5 per km

Sale of old tyres and tubes : Rs.800 per month

Calculate the operating cost per passenger kilometre.

1. A Company’s records show the following particulars for a department for the year 2011 for production and sales of 100 units.

Materials Rs.14,000; Direct Labour Rs.7,000; Works Overheads Rs.7,000; Administration overheads Rs.2,800; Selling overheads Rs.3,200; Profit Rs.6,000.

You ascertain that 40% of the works overheads fluctuate directly with production and 70% of the selling overheads fluctuate with sales. It is anticipated that the department would produce 500 units per annum in the year 2012 and that direct labour charges per unit will be reduced by 20%, while fixed works overheads will increase by Rs.3,000. Administration overheads and fixed selling overheads are expected to show an increase of 25% but otherwise no changes are anticipated.

Prepare a statement of Cost and Profit in 2012, if the Company wants a profit of 20% on cost.

**PART C**

**Answer ANY TWO questions: (2x20=40 marks)**

1. From the following details of Small Tools Ltd compute profit in Financial Accounts as well as in Cost Accounts and prepare a statement reconciling the two profits:

Rs. Rs.

Sales 20,000 Bad debts 100

Purchase of materials 3,000 Interest on overdraft 50

Closing stock of materials 500 Profit on sale of assets 1,000

Direct wages 1,000 Selling expenses 3,000

Indirect wages 500

Power 2,000

In Cost accounts:

Manufacturing overhead recovered @ 300% on direct wages.

Selling overhead recovered Rs.2,200

1. From the following data, calculate:
2. Equivalent production
3. Cost per unit of equivalent production and also prepare Process A account.

No. of units introduced in the process 4000 nos.

No. of units completed and transferred to Process B 3200 nos.

No. of units in process at the end of the period 800 nos.

Stage of completion:

Material 80%

Labour 70%

Overheads 70%

Normal process loss at the end of the process 5% of input

Value of scrap Re.1 per unit

Value of raw materials Rs.7,480

Wages Rs.10,680

Overheads Rs.7,120

1. A Company has 3 production departments A, B and C and two service departments P and Q. The following data are extracted from the records of the company for a particular given period:

Rent and rates Rs.25,000

General lighting Rs.3,000

Indirect wages Rs.7,500

Power Rs.7,500

Depreciation on machinery Rs.50,000

Sundries Rs.50,000

Additional data, department-wise

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Direct wages (Rs)**  **Horsepower of machine Cost of machinery (Rs)**  **Production hours worked**  **Floor space used (Sq.Mt)**  **Lighting points (nos)** | **Total** | **Production dept.** | | | **Service dept.** | |
|  | **A** | **B** | **C** | **P** | **Q** |
| **50,000**  **150**  **12,50,000**  **-**  **10,000**  **60** | **15,000**  **60**  **3,00,000**  **6,226**  **2,000**  **10** | **10,000**  **30**  **4,00,000**  **4,028**  **2,500**  **15** | **15,000**  **50**  **5,00,000**  **4,066**  **3,000**  **20** | **7,500**  **10**  **25,000**  **-**  **2,000**  **10** | **2,500**  **-**  **25,000**  **-**  **500**  **5** |

Service department’s expenses allocation:

A B C P Q

P 20% 30% 40% - 10%

Q 40% 20% 30% 10% -

You are required to:

1. Compute the overhead rate per hour for production departments using the repeated distribution method; and
2. Hence, determine the total cost of Job 127 whose direct material cost and direct labour cost are respectively Rs.250 and Rs.150 and which would consume 4 hours, 5 hours and 3 hours in departments A, B and C respectively.

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