DEPARTMENT OF B.COM – BANKING AND INSURANCE

18 UBI 409 - COST ACCOUNTING

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K1- LEVEL

UNIT - I

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. Basic objective of cost accounting is ____________
   a) Tax Compliance
   b) Financial Audit
   c) Cost Ascertainment
   d) None of these.
2. Cost incurred is identified with _____________
   a) Each Executive
   b) Each unit of the Output
   c) Each month
   d) None of these.
3. Overhead cost is the total of _____________
   a) All Indirect costs
   b) All direct cost
   c) Direct and Indirect costs
   d) Specific costs.
4. Conversion cost excludes _______________
   a) Labour cost
   b) Factory overheads
   c) Direct Expenses
   d) Direct material cost.
5. Classification of cost is useful to _____________-
   a) Find gross profit
   b) Find net profit
   c) To identify costs
   d) None of these.
6. Elements of cost are _______________
   a) Three types
   b) Two types
   c) Four types
   d) Five types.
7. Direct expenses are also called ______________
   a) Major expenses

b) Sundry expenses
c) Overhead expenses
d) Chargeable expenses.

8. Factory overhead is also termed as Manufacturing overhead or _____________
   a) Office overhead
   b) Selling overhead
   c) Distribution overhead
   d) Production overhead.
9. Warehouse rent is a part of ____________________
   a) Prime cost
   b) Distribution overhead
   c) Selling overhead
   d) Factory overhead.
10. Indirect material scrap is adjusted along with ____________
    a) Prime cost
    b) Works cost
    c) In P & L A/c
    d) In trading account.

UNIT - II

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. Material control involves
   a) Consumption of material
   b) Issue of material
   c) Purchase of materials
   d) Purchase, storage and issue of materials.
2. Material requisition is meant for
   a) Purchase of material
   b) Supply of material from stores
   c) Sales of material
   d) None of the above.
3. Stock control through stock levels and EOQ is called
   a) Demand and supply method
   b) Perpetual inventory system
   c) Control by Importance and exception
   d) None of these.
4. ABC analysis is
   a) Always better control
   b) Advantage of better control
   c) At best control
   d) None of the above.

5. FIFO is
   a) Fast Investment in Future Orders
   b) First in First Out
   c) Fast Issue of First Orders
   d) None of these.
6. LIFO method of pricing of material issues is more suitable when
   a) Material prices are rising
   b) Material prices are falling
   c) Material prices are fluctuating
   d) Material prices are constant.
7. Scrap is
   a) Residue of raw material
   b) Wastage of material
   c) Surplus material
   d) Abnormal loss of material.
8. Maximum consumption x Maximum re-order period is called
   a) Re-ordeing level
   b) Maximum level
   c) Minimum level
   d) Re-ordering Quantity.
9. Cost of storage of materials is known as
   a) Ordering cost
   b) EOQ
   c) Carrying cost
   d) Total cost.
10. The quantity of which material ordering cost and carrying cost are equal is called
   a) Maximum quantity
   b) Economic Ordering Quantity
   c) Minimum Quantity
   d) Re-ordering Quantity.

UNIT - III

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. A study about the movement of workers in a factory is called
   a) Motion study
   b) Time study
   c) Work measurement
   d) Work study.
2. The process of assessment and analysis of each job is known as
   a) Merit rating
   b) Time keeping

c) Work study

d) Job evaluation.

3. The rate of change of labour force in an organization is known as

   a) Material turnover

   b) Debtors turnover

   c) Labour turnover

   d) Work assessment.

4. The payment of wages on the basis of time spent by the workers is called

   a) Piece wage

   b) Time wage

   c) Indirect wage

   d) Direct wage.

5. The payment of wages on the basis of the number of units produced is called

   a) Time wage

   b) Direct wage

   c) Indirect wage

   d) Piece wage.

6. Appropriate basis for apportionment of material handling charges is

   a) Material purchased

   b) Material in stock

   c) Material consumed

   d) Material wasted.

7. 'Recreation expenses' in factory are apportioned on the basis of

   a) Material cost

   b) Wages

   c) Prime cost

   d) Number of employees.

8. Sundry overhead expenses may be apportioned in the ratio of

   a) Material consumed

   b) Number of employees

   c) Labour hours

   d) None of these.

9. Charging output with overhead at some reasonable rate is called

   a) Allocation

   b) Absorption

   c) Apportionment

   d) None of these.

10. Under absorption of overhead takes place when

    a) Actual overhead is more than absorbed overhead

    b) Absorbed overhead is more than actual overhead

    c) Standard overhead is more than actual overhead

    d) None of these.

UNIT - IV

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. The method of costing adopted for products which undergo different stages of production is called
   a) Marginal costing
   b) Standard costing
   c) Budgeting
   d) Process costing.
2. Normal process loss is adjusted with the
   a) Cost of production
   b) P & L A/c
   c) Overhead
   d) Fixed cost.
3. The loss caused due to unexpected condition is called
   a) Normal loss
   b) Abnormal loss
   c) Gross loss
   d) Net loss.
4. The loss which could not be avoided is called
   a) Abnormal Loss
   b) Gross Loss
   c) Net Loss
   d) Normal Loss
5. If the output in a process is in excess of the expected output after adjusting the normal loss is known as
   a) Abnormal loss
   b) Cost of production
   c) Abnormal gain
   d) Normal loss.
6. Abnormal loss is the difference between the actual loss and
   a) Normal loss
   b) Net loss
   c) Net profit
   d) Gross profit.
7. The value of abnormal loss is debited in the
   a) Process account
   b) Costing profit and loss account
   c) Income and Expenditure account
   d) Cost sheet.
8. Process costing is suitable to Industries where
   a) Production is carried on in two or more consecutive stages
   b) Production is as per customer specification

c) Specialised services are rendered
d) contracts are under taken.

9. Process cost is ascertained and recorded in
   a)Balance sheet
   b) Profit and loss account
   c) Separate statement
   d) Separation account in ledger.
10. Finished products of a preceding process is
    a) The raw material for subsequent process
    b) Cost of production of subsequent process
    c) Credited to subsequent process
    d) None of these.

UNIT - V

SECTION – A

MULTIPLE CHOICE QUESTIONS

1. When two or more products of equal importance are simultaneously produced, the products are called
   a) By-products
   b) Joint-products
   c) Quality products
   d) Discounted products.
2. One or more products of relatively small value which are produced simultaneously are called
   a) Joint products
   b) Co-products
   c) By-products
   d) Discounted products.
3. Equivalent production units are calculated in process account due to
   a) Editing
   b) Cost centre
   c) Cost unit
   d) Work-in-progress.
4. A contract in which the value of the contract is ascertained by adding a stipulated amount of profit or a certain percentage of profit over the total cost of the work is known as _____.
   a) Cost plus contract
   b) Fixed price contract
   c) Normal price contract
   d) None of these
5. Notional profit = value of work certified – _______________
   a) Cost of work certified

b) Cost of work uncertified

c) Cost of completed

d) Cost of uncompleted contract

6. If the contract completion stage is more than $1/4^{th}$ complete but less than half and (25% to 49%) means the notional profit is _____

   a) 1/3 b) 2/3 c) 3/3 d) None of these

7. If the contract completion stage is between 50% and 90% means the notional profit is __________

   a) 1/3 **b) 2/3** c) 3/3 d) None of these

8. __________________ is process to find all the reasons behind disagreement in profit which is calculated as per cost accounts and as per financial accounts.

   a) Reconciliation of Cost and Financial Accounts

   b) Income and Expenditure account

   c) Receipts and Payments account

   d) Deficiency account

9. The ________ reconciliation compares the debt amounts outstanding according to the company and its lender.

   a) Debt reconciliation b) Receivables reconciliation c) Payable reconciliation d)Bank reconciliation

10. To find out the reasons for the difference in the profit or loss in cost and financial accounts __________ statement is calculated.

    a) Reconciliation statement b) Financial statement c) Income statement d) Trading statement

K2- LEVEL

UNIT- I

SHORT ANSWERS – K2 LEVEL

1. **Define cost.**
   Cost is the value of economic resources used as a result of producing or doing the thing costed – W.M. Hasper.
2. **Define costing.**
   Costing as the ascertainment of costs. It refers to the techniques and process of ascertaining costs and studies the principles and rules concerning the determination of cost products and services – ICMA.
3. **What is cost accounting?**
   It is the method of accounting for cost. The process of recording and accounting for all the elements of cost is called cost accounting.
4. **List out the methods of classifying cost.**
   According to elements, according to functions, according to nature or behaviour, according to controllability, according to normality and according to relevance to decision making and control.
5. **List out the functions of cost accounting.**
   Cost finding or cost ascertainment, control of cost, reduction of cost, fixation of selling price and providing information for framing business policy.
6. **List out the element of cost by nature of expenditure.**
   Material ,Labour and Expenses.
7. **Write the elements of Prime cost?**
   Prime cost contains the following elements
   - Direct Material
   - Direct Labout
   - Direct Expenses
8. **Give three main headings under which scope of cost accounting is covered.**
   The scope of cost accountancy is very wide and includes the following, a. cost ascertainment, 2. Cost accounting and 3. Cost control.
9. **Name the two basis methods of costing.**
   Basically there are two methods of costing (as per CIMA terminology) viz., 1. Specific order costing or Job/ Terminal costing. 2. Operation costing or Process or Period costing.
10. **List out the costs included in Cost of goods sold.**
    Cost production consist of Prime cost + Factory overhead + Administrative overheads + Selling and distribution overheads

UNIT- II

SHORT ANSWERS – K2 LEVEL

1. **What are the two levels of material control?**
   The two levels of material control exists
   1. Quantity or Unit control.
   2. Rupee or Financial Control.
2. **Name the techniques of material control.**

The following are the main techniques of material control.

Level setting, Economic ordering quanitity, Just-in-time inventory system, ABC analysis, VED analysis, Perpectual inventory system, Material turnover ratio, Material cost reports and FNSD analysis.

3. **Name the different levels of stores.**
   Re-order level, Minimum level, Maximum level, danger level and Average stock level.
4. **What do you mean by re-order level?**
   It is the point at which if stock of a particular material in store approaches the storekeeper should initiate the purchase requisition for fresh supplies of that material. This level is fixed somewhere between the maximum and minimum levels. Re-ordering level = maximum consumption X maximum re-order period.
5. **What do you mean by minimum or safety stock level?**
   It represents the minimum quantity of all material which must be maintained in hand at all times. The quantity is fixed so that production may not held up due to shortage of the material. Minimum stock level = Re-order level – (Normal consumption X Normal Re-order period)
6. **What do you mean by maximum level?**
   It represents the maximum quantity of an item of material which can be jeld in stock at any time. Stock should not exceed this quantity. The quantity is fixed so that there may be no overstocking. Maximum stock level = Re ordering level + Re ordering Quantity – (Minimum consumption X Minimum re-order period)
7. **What do you mean by danger level?**
   It represents a level at which normal issues of the material are stopped and issues are made only under specific instructions. The purchase officer will make special arrangements to get the materials so that the production may not stop. Danger level = Average consumption X Maximum re-order period for emergency purchases.
8. **What is economic ordering quantity?**
   The quantity of. material to be ordered at one time is known as economic ordering quantity This quantity is fixed to minimize the cost of carrying and ordering the stock EOQ = 2CO / I
9. **What is carrying and ordering cost?**
   Carrying cost is a cost of holding the materials in store. Ordering cost is the cost of placing orders for the purchase of materials.
10. **Give the formula for material turnover ratio.**
    Material Turnover Ratio = $\dfrac{\text{Cost of materials consumed during the period}}{\text{Cost of average stock held during the period.}}$

    Inventory Turnover in Days = $\dfrac{\text{Days during the period}}{\text{Inventory Turnover Ratio}}$

UNIT- III

SHORT ANSWERS – K2 LEVEL

1. **What is mean by labour turnover?**
   Labour turnover denotes the percentage of change in the labour force of an organization.
2. **Give a formula for labour turnover according to replacement method.**
   Labour turnover (repalcement) = Number of employees replaced during a period X 100

Average number of employees during a period

3. **Write the difference between time wage system and piece rate system?**
Payment on the basis of time spent in the factory irrespective of the amount of work done is known as time wage system. Payment on the basis of work done irrespective of the time taken by the worker is known as piece rate system.
4. **Write the principle of Taylor's differential piece rate system.**
In this system slow worker is to penalize by paying low piece rate for low production and the efficient worker is getting a reward for high piece rate for their high production.
5. **Write the method of calculation for Merrick's multiple piece rate system?**
Under this method three piece rates are applied for workers with different levels of performance.

Performance	Piece Rate
>83%	Ordinary piece rate
83% to 100% output	110% of ordinary piece rate
Above 100% of standard output	120% of ordinary piece rate

6. **What do you mean by allocation of overhead expenses?**
Allocation is the process of identification of overheads with cost centres. An expenses which is directly identifiable with a specific cost centre is allocated to that centre. So it is the allotement of whole item of cost to a cost centre or cost unit or refer to the charging of expenses which can be identifies wholly with a particular department.
7. **What do you mean by apportionment of overhead expenses?**
Cost apportionment is the allotment of proportions of items to cost centres or cost units on an equitable basis. The terms refers to the allotment of expenses which cannot identifies wholly with a particular department such expenses require division and apportionment over two or more cost centres.
8. **What do you mean by secondary distribution?**
Service department costs are to be reapportioned to the production departments or the cost centres where production is going on. This process of re-apportionments of overhead expenses is known as 'secondary distribution'.
9. **Mention the various methods of Re-apportionment or Re-distribution.**
Secondary distribution of overhead.
    1. Direct re-distribution method
    2. Step distribution method
    3. Reciprocal services method
        3.1. Simultaneous equation method.
        3.2. Repeated distribution method.
        3.3 Trial and Error method.
10. **Write the difference between under absorption and over absorption of overheads?**
If the amount absorbed is less than the amount incurred which may be due to actual expenses /or exceeding the estimates and / or the output or hours worked being less than the estimates, the difference is known as under – absorption.

UNIT- IV

SHORT ANSWERS – K2 LEVEL

1. **What is process costing?**
   Process costing is that form of operation costing which is used to ascertain the cost of product at each process or stage of manufacture.
2. **Name five industries in which process costing is used.**
   Chemical works, Textile – weaving – spinning etc, Soap making, Box making, Paper mills, Oil refining, Food products etc.,
3. **Name the major elements of process costing.**
   Materials, Labour, Production overhead.
4. **Write the difference between normal process loss and abnormal process loss?**
   Normal process loss is unavoidable on account of inherent nature of production processes. Such loss can be estimated in advance on the basis of past experience or data. Any loss caused by unexpected or abnormal conditions such as plant break down, sub-standard materials, carelessness, accident etc or loss in excess of margin anticipated for normal process loss would be regarded as abnormal process loss.
5. **Give the formula for finding units and value of abonormal loss.**
   Units of abnormal loss = Actual loss – Normal loss.
   Value of abnormal loss = $\dfrac{\text{Normal cost of normal output}}{\text{Normal Output}}$ X units of abnormal loss
6. **What do you mean by abnormal gain?**
   Abnormal gain denotes the result of actual loss being less than the normal loss. The scrap realization shown against normal loss gets reduced by the scrap value of abnormal gain. The value of gain will calculated in similar manner of abnormal loss.
7. **What is mean by Job costing?**
   Under this method, costs are collected and accumulated for each job, work order or project separately. Each job can be separately identifies, so it becomes essential to analyse the cost according to each job.
8. **What is mean by Batch costing?**
   This is an extension of job costing. A batch may represent a number of small orders passes through the factory in batch. Each batch is treated as a unit of cost and separately costed.
9. **What do you mean by Service or Operating costing?**
   This is the method of costing suitable for industries which render series as district from those which manufacture goods. This is applied in transport undertakings power supply companies, municipal services, hospitals, hotels etc.
10. **Write about Multiple costing?**
    It represents the application of more than one method of costing in respect of the same product. This is suitable for industries where a number of component parts are separately produced and subsequently assembled into final product.

UNIT- V

SHORT ANSWERS – K2 LEVEL

1. **What is mean by contract costing?**
   Contract costing is that form of specific order costing which applies where the work is undertaken to customer’s requirements and each order is of long duration as compared to job costing. The work is generally f constructional and repairs nature.

2. **Name the three types of contracts.**
Generally there are three types of contracts:
Fixed price contracts
Fixed price contracts but in some cases subject to escalation clause
Cost plus contracts
3. **What do you mean by sub-contracts?**
Generally work of a specialized character e.g the installation of lifts and special flooring, is passed out to any other contractor by the main contractor. In such cases the work performed by the sub – contractors forms a direct charge to the contracts concerned. Sub-contract cost will be shown on the debit side of the Contract accounts.
4. **Write the methods for calculating incomplete contracts in modern approach?**
According to this approach, two methods of calculating the profits on uncompleted contracts are used by the contractors: These are
Percentage of completion method.
Completion contract method.
5. **What do you mean by cost plus contract?**
Cost plus contract is a contract in which the value of the contract is ascertained by adding a stipulated amount of profit or a certain percentage of profit over the total cost of the work. It is generally adopted in those cases where the probable cost of the contract cannot be computed in advance with a reasonable degree or accuracy. Such contracts are undertaken for production of special articles not usually manufactured.
6. **What is notional profit?**
Notional means estimate. As completion of contracts takes several years, wide fluctuations may be noted in the profit figures of contractors from year to year. to avoid this notional profit for the year in which the activity is undertaken is calculated and transferred to the P & L account of the respective accounting year. Notional profit = value of work certified – cost of work certified.

7. **How you calculated the profit on uncompleted contract?**
Profit or loss on contracts should be brought into account only when the contracts are completed. This procedure leads to considerable fluctuations in annual profits of the contractor. The year in which the contract is completed may show unusually large profits and other years may even show losses.So depending upon the completion state the profit can be calculated in two ways…
   i. For contracts which have just started
   ii. For contracts which have sufficiently advanced and covered by architect's certificate.
8. **Give the ratio for amount of notional profit considered for uncompleted contract.**
In practice
   i. **1/3rd**of the notional profit are taken, if the completion stage is **more than 1/4th complete but less than half and (25% to 49%)**
   ii. **2/3rd**of the notional profit are taken, if the completion stage is **between 50% and 90%**
9. **What is reconciliation statement?**
When reconciliation is attempted by preparing a reconciliation statement, profit shown by one set of accounts is taken as base profit and items of difference are either added to it or deducted from it to arrive at the figure of profit shown by other set of accounts.
10. **Give the two points of need of reconciliation of cost and financial accounts.**

a. To find out the reasons for the difference in the profit or loss in cost and financial accounts.
b. To ensure the mathematical accuracy and reliability of cost accounts in order to have cost ascertainment, cost control and to have a check on the financial accounts.

K3 LEVEL

UNIT – I

SECTION – B (K3)

1. Explain the costing- an aid management.
2. Define cost accounting. Explain Scope of cost accounting
3. Mention the similarities between cost accounting and financial accounting.
4. What are the objections of the cost accounting?
5. Distinguish between costing and cost accounting.
6. Tabulate the elements of cost showing the usual items of expenditure pertaining to each.
7. Distinguish between direct cost and indirect cost.
8. Define prime cost. What are its components?
9. State any three methods of classification of cost.
10. Prepare a cost sheet:

Labour	Rs. 1,50,000
Prime cost	Rs. 3,50,000
Factory Expenses	Rs. 98,000
Office Expenses	Rs. 85,000

10% of the output is in stock and the sales total up to Rs. 5,10,000.

Unit – II

Section – B (K3)

1. List out the broad objectives of material control. Explain the important requirements to attain these objectives.
2. Distinguish between Bin card and Stores ledger.
3. Give the names of methods of valuing material issues.
4. Briefly describe the routine followed for the purchase of materials.
5. Calculate the ordering level of material A from the following particulars:
   i. Maximum Limit 500 units.
   ii. Maximum Limit 2,500 units.
   iii. Daily requirement of material 100 units.
   iv. Time required for fresh delivery 10 days.
6. Find out the economic ordering quantity from the following particulars.

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.

7. Find out the EOQ from the following particulars.

   Annual usage Rs. 1, 20,000

   Cost of placing and receiving ordering cost Rs. 60

   Annual carrying cost: 10% of inventory value.

8. Compute the minimum stock level, maximum stock level and re-ordering level from the following information:

   i) Maximum consumption 100 units per day

   ii) Minimum consumption 150 units per day

   iii) Normal consumption 120 units per day

   iv) Re-order period 10 to 15days

   v) Re-order quantity 1500 in units

   vi) Normal re-order period 12days

9. 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. 0.02 per day. The lead period is 32 days. Compute: (i) Economic Order Quantity (ii) Re-order level.

10. Compute the i) Re-order level ii) Minimum level iii) Maximum level

	A
Maximum consumption per week (in units)	150
Average consumption per week (in units)	100
Minimum consumption per week (in units)	50
Re-order period (in weeks)	8 to 12
Re-order quantity (in units)	400

Unit – III

Section – B(K3)

1. Write the short notes on Taylor's differential piece rate system.
2. Explain the fundamental differences between:
   a) Straight piece – work
   b) Differential piece – work

c) The Rowan system of premium bonus.

3. Compare between Halsey Plan and Rowan Plan in giving the bonus.
4. What do you mean by over-absorption and under-absorption of overheads? Explain the causes and how you would dispose of under-and over-applied cost.
5. Distinguish between allocation, apportionment and absorption of overheads.
6. The output of worker A is 64 units in a 40 hours week. Guaranteed time rate is Rs. 5 per hour. Ordinary piece rate is Rs. 2 per unit. Show the earnings of worker A under piece rate and time rate systems.
7. From the following information, calculate the labour turnover rate and labour flux rate:

Number of workers at the beginning of the year	:	3,800
Number of workers at the end of the year	:	4,200

During the year 40 workers leave while 160 workers are discharged. 600 workers are required during the year, of these 150 workers are recruited because of leavers and the rest are engaged in accordance with an expansion scheme.

8. From the following data provided to you, find out the Labour Turnover Rate by applying:
a) Flux method
b) Replacement method
c) Separation 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.

9. Rate per hour = Rs. 1.50 per hour
Time allowed for job = 20 hours
Time taken = 15 hours
Calculate the total earnings of the worker under the Halsey Plan. Also find out effective rate of earning
10. A worker completes a job in a certain number of hours. The standard time allowed for the job is 10 hours, and the hourly rate of wages is Re. 1. The worker earns at the 50% rate a bonus of Rs.2 under Halsey Plan. Ascertain his total wages under the Rowan Premium Plan.

Unit – IV

Section – B(K3)

1. Describe briefly the main features of process costing. Name the industries where process costing can be applied.
2. What are the different kinds of process losses? How is it treated in cost accounts?
3. Name the four important aspects of process costing.
4. Describe about the main elements of production cost in process costing.
5. Distinguish between by-products, main product and joint products.
6. Why does abnormal loss/gain arise? How will you treat this in cost accounts?
7. A product passes through three distinct processes to completion. During March, 2010 1,000 finished units were produced with the following expenditure :

Process A   Process B   Process C

	Rs.	Rs.	Rs.
Direct materials	1,500	2,600	2,000
Direct labour	5,000	4,000	3,000

Overhead expenses amounted in all to Rs. 6,000. They are to be apportioned on the basis of direct wages. Main raw materials issued to Process A (besides above) were worth Rs. 6,000. Ignoring the question of stock prepare the Process Accounts concerned.

8. 100 Units are introduced into a process at a cost of Rs. 1000. The total additional expenditure incurred by the process is Rs.600. Of the Units introduced 10% are normally spoiled in the course of manufacture. They posses scrap value of Rs.7 per unit each. The output of the process was only 75 units. Calculate the abnormal loss.

9. In process B, 75 units of a commodity were transferred from process A at a cost of Rs.1,310. The additional expenses incurred by the process were Rs. 190. 20% of the units entered are normally lost and sold @ Rs. 4 per unit. The output of the process was 70 units. Prepare process B account and abnormal gain account.
10. Srikar& Co., produces a product through two processes. The following details relate to process 'A'. You are requiring ascertaining the process cost to be transferred to process 'B'.

Inputs	**Rs.**
Material	45,000
Labour	60,000
Chargeable expenses	5,000
Overheads	12,000

Unit – V

Section – B(K3)

1. What is contract costing? Give the main distinguishing features of contract costing.
2. What is work-in-progress? How is it valued in contract costing? How is it shown in the Contractor's Balance sheet?
3. What is the purpose of Reconciling Cost and Financial Accounts? Indicate the possible sources of difference between them.
4. What is reconciliation statement? Under what circumstances reconciliation is avoided.
5. Calculate the work certified in the contract account from the following information.
   a. Cash received from the contract. Rs.4,80,000
   b. Percentage of work certified 80%

6. The following was the expenditure on a contract for Rs. 6,00,000 commenced in Jan 2001. Materials Rs. 1,20,000; wages Rs. 1,64,400; plant Rs. 20,000; Business charges Rs. 8,600. Cash received on account to 31st December,2001 amounted to Rs. 2,40,000 being 80 per cent of work certified; the value of materials in hand on 31-12-2001 was Rs. 10,000. Prepare the contract account for 2001 showing the profit to be credited to the year's profit and loss account. Plant is to be depreciation at 10%.

7. The profit as per cost accounts is Rs.40000. While comparing with the financial accounts, the following differences were found:
   1. Overhead as per cost accounts amounted Rs.8000 as per financial accounts was 6000.
   2. Directors' fees not charged in cost Rs.750
   3. Company created doubtful debts Rs.600
   4. Depreciation not shown in cost Rs.600
   5. Transfer fees received Rs.100
   6. Amount charged to Income Tax Rs.5000

   Prepare a Reconciliation Statement.

8. Prepare a reconciliation statement from the following information

Over absorption of factory overheads in cost records	Rs.1,20,000
Over absorption of factory overheads in financial records	Rs.115000
Under absorption of office overheads in cost records	Rs.91000
Under absorption of office overheads in financial records	Rs.90,000
Profit as per cost records	Rs.195000

9. Mathew & Co. Suffered a loss of Rs.25000 as per financial accounts. On comparison with its costing records for the same year, the following differences were observed. Prepare a reconciliation statement.

	Rs.
1. Overvaluation of opening stock of materials in cost books	1200
2. Undervaluation of closing stock of finished goods in financial books	3000
3. Dormant materials written off in financial books	1000
4. Under absorption of overheads	4000
5. Fines levied by municipality	500
6. Debenture interest paid	2000

10. The profit shown in the financial accounts was Rs. 1,12,870 and for the same period the cost accounts showed a profit of Rs. 27, 040.

	Cost Accounts	Financial Account
Depreciation	98,260	1,05,200
Stock valuations:		
Opening stocks	2,75,100	2,55,000
Closing stocks	1,82,180	1,87,500
Profit on sale of asset	__	8,500
Dividend received	__	26,350
Imputed rent charge	32,500	

Reconcile the profit figures.

K4,K5 LEVEL

Unit – I - Section – C (K4, K5)

1. "While Financial Accounting is External, Cost accounting is Internal to the business" – Explain
2. Describe the disadvantages alleged against cost accounting. Are the disadvantages real in your opinion? Give reasons.
3. Calculate Prime Cost, Factory Cost, Cost of Production, Cost of Sales and profit from the following particulars:

		Rs.		Rs.
Direct materials		1,00,000	Depreciation:	
Direct wages		30,000	Factory Plant	500
Wages of foreman		2,500	Office Premises	1,250
Electric Power		500	Consumable stores	2,500
Lighting:	Factory	1,500	Manager's salary	5,000
	Office	500	Director's fees	1,250
Storekeeper's wages		1,000	Office Stationery	500
Oil and water		500	Telephone charges	125
Rent:	Factory	5,000	Postage and Telegrams	250
	Office	2,500	Salesmen's salaries	1,250
Repairs and Renewals:			Travelling expenses	500
	Factory Plant	3,500	Advertising	1,250
	Office Premises	500	Warehouse charges	500
Transfer to Reserves		1,000	Sales	1,89,500
Discount on shares written off		500	Carriage outward	375
Dividend		2,000	Income-tax	10,000

4. From the following particulars prepare a cost sheet showing the total cost per tonne for the period ended 31 Dec 2009.

Particulars	Rs	Particulars	Rs

Raw materials	33,000	Rent & Taxes(office)	500
Productive wages	38,000	Water, Supply (works)	1,200
Unproductive wages	10,500	Factory Insurance	1,100
Factory rent and taxes	7,500	Office Insurance	500
Factory Lighting	2,200	Legal expenses	400
Factory heating	1,500	Rent of warehouse	300
Motive power	4,400	Depreciation of Plant &Machinary Office Building Delivery Vans	 2,000 1,000 200
Haulage (Works)	3000	Bad debts	100
Director's fees (works)	1,000	Advertising	300
Director's fees (Office)	2,000	Sales Department's salary	1,500
Factory cleaning	500	Up keep of Delivery Vans	700
Sundry Office Expenses	200	Bank charges	50
Estimating expenses (Works)	800	Commission on sales	1500
Factory Stationery	750		
Office stationery	900		
Loose tools written off	600		

The total output for the period has been 14,775 tonnes

5. A company manufactures a standard product. From the following data, prepare a statement of Cost and Profit.

Raw materials consumed	Rs. 45,000
Direct Labour	Rs. 27,000
Machine hours worked	900
Machine hour rate	Rs. 15
Administration overhead	20% on work cost
Selling cost	Rs.1.50 per unit
Units produced	15,000 units
Units sold	14,000@Rs. 12 per unit

Unit – II - Section – C (K4, K5)

1. Calculate the (a)Re-order level (b) Re-order quantity and (c) Maximum stock level from the following information:

   Minimum stock level : 2,550 units
   Average stock level : 4,550 units
   Consumption : Minimum 800 units per month
   : Maximum 1,500 units per month
   Delivery period : Minimum 2 months
   : Maximum 4 months.

2. Following information relates to the consumption of oil for a month

Maximum Consumption	400 Units
Minimum Consumption	320 Units

Reorder Quantity	400 Units per week
Delivery Period	Normal 2 Weeks
	Minimum 1 week
	Maximum 3 weeks
Annual Consumption during 2010	4800 units

Calculate 1. Average Stock Level 2. Material Turnover Ratio

3. The "Received" side of the stores ledger account shows the following particulars:
   Jan.1 Opening balance : 500 units @ Rs.4
   Jan.5 Received from vendor : 200 units @ Rs. 4.25
   Jan.12 Received from vendor : 150 units @ Rs.4.10
   Jan.20 Received from vendor : 300 units @ Rs. 4.50
   Jan.25 Received from vendor : 400 units @ Rs.4
   Issues of materials were as follows:
   Jan -4 – 200 units, Jan.10 – 400 units, Jan.15-100 units, Jan.19 – 100 units, Jan. 26- 200 units, Jan.30 – 250 units.
   Issues are to be priced on the principle of "First In First Out". Write out the stores ledger account in respect of the materials for the month of January.
4. The following transactions occur in the purchase and issue of a material:

   Jan 2 Purchased 4,000 units @ Rs. 4.00 per unit
   Jan 20 Purchased 500 units @ Rs. 5.00 per unit
   Feb 5 Issued 2,000 units
   Feb 10 Purchased 6,000 units @ Rs. 6.00 per unit
   Feb 12 Issued 4,000 units
   March 2 Issued 1,000 units
   March 5 Issued 2,000 units
   March 15 Purchased 4,500 units @ Rs. 5.50 per unit
   March 20 Issued 3,000 units.

   Prepare LIFO method.
5. Following transactions took place in respect of an item of material

	Receipts Quantity	Rate Rs.	Issue Quantity
2-9-2009	200	2.00	-
10-9-2009	300	2.40	-
15-9-2009	-	-	250

18-9-2009	250	2.60	-
20-9-2009	-	-	200

Record the above transactions in the Stores Ledger, pricing the issues at:

a) Simple Average rate, b) Weighted average rate.

Unit – III - Section – C (K4, K5)

1. The cost accountant of Y Ltd. has computed labour turnover rates for the quarter ended 31st March, 2010 as 10%, 5% and 3% respectively under the Flux method, Replacement method and Separation method. If the number of workers replaced during the quarter is 30, find out the number of (1) workers recruited and joined and (2) workers left and discharged
2. Calculate the earnings of workers A, B and C under straight piece rate system and Merrick's multiple piece rate system from the following particulars:
   Normal rate per hour Rs. 1.80
   Standard time per unit 1 minute
   Output per day is as follows:
   Worker A : 384 units
   Worker B : 450 units
   Worker C : 552 units
   Working hours per day are 8.
3. Following particulars are related to a product
   Standard output per day o f8 hours in 8 units
   Normal wage per day is Rs. 12
   Actual output by Ahmed in a day – 10 units
   Calculate the earnings of Ahmed and also the labour cost per unit under the following methods. a) Time rate b) Piece rate c) Halsey plan d) Rowan plan.

4. Calculate the earnings of workers A and B under straight piece rate system from the Following particulars:
   Normal rate per hour= Rs. 1.80
   Standard time per unit= 20 seconds
   Differentials to be applied:
   80% of piece rate below standard
   120% piece rate at or above standard.
   Worker A produces 1300 units per day and worker B produces 1500 units per day
5. The 'Modern Company' is divided into four departments :P1, P2, P3 are producing departments and S1 is a service department. The actual cost for a period are as follows:

Rent	1,000	Supervision	1,500

Repairs to plant	600	Fire insurance in respect of stock	500
Depreciation of plant	450	Power	900
Employer's liability for insurance	150	Light	120

The following information is available in respect of the four departments:

	Dept. P1	Dept. P2	Dept. P3	Dept. S1
Area (sq. metres)	1500	1100	900	500
Number of Employees	20	15	10	5
Total wages (Rs.)	6000	4000	3000	2000
Value of plant (Rs.)	24000	18000	12000	6000
Value of stock (Rs.)	15000	9000	6000	---
H.P. of Plant	24	18	12	6

Apportion the costs to the various departments on the most equitable basis.

Unit –IV - Section – C (K4, K5)

1. A product passes through two processes A and B and then to finished stock. The normal wastage is 3% and 5% of the units introduced in each process respectively. The scrap of process A is sold at Rs.0.50 per unit and that of process B at Rs.1 per unit.10,000 units are introduced to process A at a cost of Rs.2.00 per unit. The other expenses are:

	Process A	Process B
	Rs	Rs.
Wages	12,000	19000
Expenses	2,100	2375
Production:	9,500units	9,100 units

Prepare process account and other accounts.

2. A product passes through three distinct processes to completion. These processes are numbered respectively I, II and III. During the week ended 15th January 2001, 500 units are produced. The following information is obtained:

	Process I	Process II	Process III
	Rs.	Rs.	Rs.
Direct materials	3,500	1,600	1,500

Direct labour 2,500 2,000 2,500

The overheads expenses for the period were Rs. 1,400 apportioned to the processes on the basis of wages. No work-in –progress or process stocks existed at the beginning or at the end of the week. Prepare process accounts.

3. Prepare The information given below is extracted from the Cost Accounts of a Factory producing a commodity in the manufacture of which three processes are involved Process Cost Accounts showing the cost of the output and the cost per unit at each stage of manufacture.
a) The operations in each separate process are completed daily.
b) The value at which units are to be charged to process B and C is the cost per unit of process A, and A plus B respectively.

	Process A	Process B	Process C
	Rs.	Rs.	Rs.
Direct Wages	640	1200	2925
Machine Expenses	360	300	360
Factory overhead	200	225	240
Raw materials consumed	2,400		
	Units	Units	Units
Production (Gross)	37000	---	---
Wastage	1000	1500	500
Opening stock of Raw materials	____	4000	16500
Closing stock of Raw materials	------	1000	5500

4. The product of company passes through three distinct processes to completion. They are known as A, B and C. from past experience it is ascertained that loss is incurred in each process as : Process A-2%, Process B- 5%, Process C – 10%. In each case the percentage of loss is computed on the number of units entering the process concerned. The loss of each possesses a scrap value. The loss of processes A and B is sold at Rs. 5 per 100 units and that of process C at Rs. 20 per 100 units.
The output of each process passes immediately to the next process and the finished units are passes from process C into stock.

	Process A	Process B	Process C
	Rs.	Rs.	Rs.

Materials consumed	6000	4000	2000
Direct Labour	8000	6000	3000
Manufacturing expenses	1000	1000	1500

20,000 units have been issued to process A at a cost of Rs. 10,000. The output of each process has been as under:
Process A 19,500; Process B 18,800; Process C 16,000
There is no work – in – progress in any process. Prepare process accounts. Calculations should be made to the nearest rupee.

5. Bengal Chemical Co. Ltd. Produced three chemicals during the moth of July, 2009 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from processes (1) and (2) realizes Rs. 100 a ton and from process (3) Rs. 20 a ton.
The products of three processes are dealt with as follows

	Process-1		Process -2		Process-3	
Passed on the next process	75%		50%		----	
Sent to warehouse for sale	25%		50%		100%	
	Rs.	Tons	Rs.	Tons	Rs.	Tons
Raw materials	120000	1000	28000	140	107840	1348
Manufacturing wages	20500	----	18520	----	15000	----
General Expenses	10300	----	7240	-----	3100	---

Prepare Process Cost Accounts showing the cost per ton of each product.

Unit – V - Section – C (K4, K5)

1. Following expenses were incurred by a contractor on a contract which he started on 1st Janauary.

	Rs.
Materials	2,40,000
Wages	3,28,000
Plant	40,000
Overheads	17,200

Cash received on account of the contract up to 31st December was Rs.4,80,000 being 80% of the work certified. The value of materials in hand was Rs.20,000. The plant had undergone 20% depreciation. The total expenditure on a contract for Rs.12,00,000. Prepare Contract Account.

2. From the following information given below relating to an unfinished contract, ascertain:
   a) Profit on work certified
   b) Cost of work in progress at the end of the year.

	Rs.		Rs.
Materials sent to site	86000	Work certified	190000
Labour engaged on site	65000	Work unvertified	7700
Plant issued	80000	Materials in hand	2000
Direct expenses	8000	Wages accrued	300
Establishment charges	4000	Cash received	161500
Materials returned to stores	600	Depreciation of plant	7000

   Assume contract price is Rs. 250000.

3. Shanker Construction Ltd. have undertaken the construction of a Bridge. The contract price being Rs. 65 Lakhs. The details relating to the contract area as follows:

Materials bought	16,50,000
Materials sent from stores	4,00,000
Labour cost	20,00,000
Direct Expenses	1,25,000
Hire and use of plant	60,000
General overhead allocated	1,75,000
Material on hand at the end of the period	31,500
Wages accrued at the end of the period	37,500
Direct expenses accrued at the end of the period	7,500
Cost of work certified by the Engineer	55,00,000
Cost of work uncertified	1,00,000
Cash received	44,00,000

   Prepare i) Contract a/c ii) Contractee's A/c and show how the relevant items appear in the Balance sheet of the contractor.

4. (When profits as per financial and cost accounts are given). The net profit of A co. ltd. Appeared at Rs. 60,652 as per financial records for the year ending 31st march, 2001. The cost books, however, showed a net profit of Rs. 86,200 for the same period. A scrutiny Of the figures from both the sets of accounts revealed the following facts:

	Rs.
Works overhead under-recovered in costs	1,560

Administrative overheads over-recovered in costs	850
Depreciation charged in financial accounts	5,600
Depreciation recovered in costs	6,250
Interest on investments not included in costs	4,000
Loss due to obsolescence charged in financial accounts	2,850
Income –tax provided in financial accounts	20,150
Bank interest and transfer fee credited in financial books	375
Stores adjustment (credit) in financial books	237
Value of opening stock in : Cost accounts	24,800
: Financial accounts	26300
Value of closing stock in : Cost accounts	25,000
: Financial accounts	23,000
Interest charged in cost accounts	2,000
Goodwill written off	5,000
Loss on the sale of furniture	600

Prepare a statement showing the reconciliation between the figure of net profit as per cost accounts and the figure of net profit as shown in the financial books.

5. A company maintained separate cost and financial accounts, and the costing profit for the year 2010 differed to that revealed in financial accounts, which was shown as Rs. 50,000. Following information is available

	Cost Accounts	Financial Accounts
	Rs	Rs
Opening stock of raw materials	5000	5500
Closing stock of raw materials	4000	5300
Opening stock of Finished goods	12000	15000
Closing stock of finished goods	14000	16000

i. Dividend of Rs.1000 were received by the company.
ii. A machine with net book value of Rs. 10,000 was sold during the year for Rs. 8,000
iii. The company charged 10% interest on its opening capital employed of Rs. 80,000 to its process costs. You are required to determine the profit figure which was shown in the cost accounts.

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