COST AND MANAGEMENT ACCOUNTING

K1 LEVELS

1. Cost accounting is one of the subdivisions of

a. management accounting b. financial accounting c. corporate accounting d.none of these

2. The basic objective of cost accounting is

a. recording of cost b. reporting of cost **c. cost control** d. profit earning

3. Cost objects are

a. costing systems b. costing methods c. cost estimates **d. cost unit and cost center**

4.Cost unit is used for

a. cost control **b. cost reduction** c .resources foregone d. ascertainment of cost

5. Cost incurred is identified with

a. (cost) unit of output b. cost control c. cost reduction **d. none of these**

6. The methods used for the calculation of cost per unit are known as

a. costing methods b. costing procedure **c. costing systems** d. none of these

7. Cost centers are created for

a.segregating costs into fixed and variable b. control and fixing responsibility

c. making decisions d. ascertaining profit

8. Profit center is

a. department ascertaining profit b.center for inventory valuation

c. responsibility center in which performance is measured d. none of these

9. Cost control refers to.

a. continuous action by members of an undertaking b. remedial measures by purchase department c. action by production department d. none of these

10.Cost reduction can be attained by

a. reducing volume of production b .reducing volume of sale

c. without affecting the quality or value of goods produced **d. reducing prices**

11. Conversion cost excludes

a. direct material cost direct Labor cost c. direct expenses **d. all the above**

12. In financial accounting, investors, banks, suppliers and government agencies are classified as

a. external partiesb**.** internal parties**c.** environmental parties**d.** transactional parties

13. Type of accounting, which reports financial and non-financial data about cost of material and acquiring of resources is classified as

a. material accounting b. **cost accounting c.** supplies accounting d. business accounting

14. An approach in which managers use resources to increase customer value is classified as

a. help management b. **cost management** c. past management d. future management

15. Type of accounting which reports to external parties of organization is known as

a.cost accounting b. decision accounting c. **financial accounting** d. management accounting

16. In financial accounting, an emphasis and focus is considered as

a.communication oriented b. bank oriented c. future oriented d. **past oriented**

17. Purpose of management accounting is to

a. past orientation b. help banks make decisions

c. help managers make decisionsd**.** help investors make decision

18. An accounting approach in which expected benefits exceed expected cost is classified as

a. benefit approach b. cost approach c. **cost-benefit approach** d. accounting approach

19. In management accounting, an emphasis and focus must be

a. future orientedb.past oriented **c.** communication oriented**d.** bank oriented

20. Point at which control functions and planning of management come together is known as

a. functioning**b.variance c.** variation d. deviation

K2 LEVELS

1. define cost accounting?

2) List out the features of management accounting?

3) What are the objectives of management accounting?

4. What do you understand by costing?

5. Explain term cost centre?

6. Give two items which are not include in cost.

7. What is the difference between cost of goods sold and cost of production

8. Write two objective of material control

9. What is normal wastage of material?

10. What is ABC technique?

11. What is abnormal wastage?

12. What is economic order quantity?

13. How labour separation rate is computed.

14. Write the formula of Halsey-weir premium plan

15. What is idle time?

16. What is meant by overhead?

17. What is scrap?

18. What do you meant by marginal costing?

19. What do you meant by marginal costing?

20. Explain the meaning of profit volume ratio?

21. What do you mean by break-even point?

K3 LEVELS

1. Examine the scope of cost accounting.

2. Interpret the objectives against cost accounting.

3. Prepare the specimen of cost sheet?

4. Prepare a cost sheet.

Labour – Rs. 150000; Prime cost – Rs.350000; Factory expenses – Rs. 98000; Other expenses – Rs. 85000. 10% of the output is in stock and sales total up to Rs. 150000.

5. Compute the EOQ from the following particulars.

Annual usage – Rs. 120000; Cost of placing and receiving one order – Rs. 60 ; Annual carrying cost – 10 % of inventor value.

6. Discover the principles of process costing.

7. Examine the scope of management accounting.

8. Conclude the limitations of ratio analysis.

9. Examine the functions of management accounting .

10. Dissect the limitations of trend ratio.

11. Ascertain prime cost. Work cost, cost of production, total cost and profit from the under mentioned figures :

Direct materials	- Rs. 3500
Factory expenses.	- Rs. 1500
Direct labour	- Rs. 3500
Administration expense	- Rs. 800
Selling expenses.	- Rs. 700
Sales.	- Rs. 15000

12. Explain the term material control.

13. A product passes through three products. Three processes are numbered respectively 1, 2,

And 3 during the week ended 15 th January 2017, 500 units are produced.

Cost details	Process 1(Rs)	Process 2(Rs)	Process 3(Rs)

Direct materials	3500	1600	1500
Direct labour	2500	2000	2500

Overheads expenses for the period were Rs. 1400 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 the process accounts.

14. State the need and importance of management accounting.

15. M/s AshokaLtd has submitted the following balance sheet as on 30 th June 2018

Liabilities		Assets	
Share capital	150000	Fixed assets	162000
Reserves	30000	Stock	22000
10 % debenture	20000	Debtors	51000
Creditors	49000	Bills receivable	2000
Bank	12000		
Total	249000	Total.	249000

Find the current ratio and quick ratio and comment on the financial condition.

16. Calculate the reordering level of materials A from the following particulars.

Minimum limit 500 units

Maximum limit 250 units

Daily requirement of material 100 units

Time required for fresh delivery 10 days.

17. A company manufacture a standard product from the following data prepares a statement of cost and profit.

Raw material consumed Rs. 4500

Direct labourRs. 27000

Machine hours worked Rs. 900

Machine hours rate Rs. 15

Administration overloads 20% on work cost

Selling cost Rs. 1.50 per unit

Units produced – 15000

Units sold – 14000 at Rs. 12 per unit.

18. 2000 units purchased Rs. 10

3000 units purchased Rs. 20

4000 units purchased Rs. 30

19. Find out the economic ordering quantity from the following particulars,

Annual usage: Rs. 120000

Cost of placing and receiving 1 order: Rs. 60

Annual carriage cost: 10% of inventory values.

20. Develop costing - an aid to management.

K4 LEVELS

1. Prepare the specimen of comparative income statement.

2. Evaluate the classifications of ratios.

3. Calculate the following is the revenue statement of Hind traders for the year ended 31st March 2018.

	Rs.
Sales	500000
Less: Cost of goods sold	300000

Gross profit 200000

Less: Operating expenses 120000

Operating profit 80000

Add: Non - operating profit 12000

92000

Less: Non operating expenses 4000

Net profit 88000

Less: Tax 50% 44000

Net profit after tax 44000

Calculate (a) gross profit (b) operating profit (c) operating profit ratio (d) net profit ratio.

4. Write down the objectives and functions of management accounting.

5. Compute A super spares ,srisi supplies you the following figures for the year 2017:

Production – 1000 units ; Cost of materials - Rs. 20000 ; Labour cost – Rs .12000

Factory overhead – Rs .8000 ; office overhead – Rs .4000 ; selling expenses – Rs .1000 ; Rate of profit – 25% on selling price.

the manufacturer's decide to produce 1500 units during the year 2018 : it is estimated that cost of raw material will increase by 20 %, labour cost will increase by 10% .50% of the overhead charges are fixed and other 50% of over head charges are variable. The selling expenses per unit will be reduced by 20% . The rate of profit will remain the same.

Prepare the statement for 2018 showing :

Total profit.

Selling per unit.

6. Differentiate between cost accounting and management accounting.

7. Elucidate the ABC analysis, what are it's advantages and disadvantages.

8. Calculate the first in first out method ; write out the store ledger account in respect of materials for the month of January.

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.

9. Elaborate the minimum level , Maximum level and ordering level?.

10. Differentiate between cost accounting and financial accounting?.

11. Explain the meaning, nature and scope of management accounting.

12. From the following particulars prepare a cost statement:

Rs.	
Stock (1/1/2009)	
Raw materials	30500
Finished goods	20400
Stock (31/12/2009)	
Raw materials	48500
Finished goods	10000
Purchase of raw material	25000
Work in progress (1/1/2009)	8000
Work in progress (31/12/2009)	9000

Sales	95000
Direct wages	20400
Factory expenses	10500
Office expenses	5400
Selling expenses	3800
Distribution expenses	2500

also calculate the percentage of work expenses to direct wages and the percentage of office expenses to work cost.

13. Describe the objectives and functions of management accounting.

14. calculate the prime cost, Factory cost or work cost, cost of production , cost of sales and profit from the following particulars.

direct materials	Rs. 100000
Direct wages	Rs. 30000
Wages of foremen	Rs. 2500
Electric power	Rs. 500
Lighting :	
Factory	Rs. 1500
Office	Rs. 500
Store keepers wages	Rs. 1000
Oil and water	Rs. 500
Rent :	
Factory	Rs. 5000
Office	Rs. 2500
Repairs and renewals :	
Factory plant	Rs. 3500
Office premises	Rs . 500

Depreciation :

Factory plant.Rs. 500

Office premises Rs. 1250

Consumable store Rs. 2500

Mangers salary Rs. 5000

Directors fees Rs. 1250

Telephone charges Rs. 125

Postage and telegram.Rs. 250

Salesman salary.Rs. 1250

Travelling expenses Rs .500

Advertisement Rs. 1250

Warehouse charges Rs. 500

Sales Rs. 189500

Carriage outward Rs. 375

15. Write down the meaning and importance of ratio analysis?

16. Describe the classifications of ratio?

17. A company manufactures a chemical product by a series of operation in three process raw material is fed into process 1 and the finished chemicals that comes out of process 3 is transferred to finished goods store. The following particulars relating to operations for April 2015 are given below:

	Process 1	Process 2	Process 3
Raw material issued 80000 kgs.	Rs. 960000	-	-
Direct wages	Rs. 125600	Rs. 172000	Rs. 142500
Overhead costs	Rs. 168000	Rs. 177280	Rs.124690
Normal processing loss (in%)	3%	2%	1%
Output transferred to next process	74000kgs	69400kgs.	69000kgs

Work in progress (cb) 3000 2400 -

Prepare the process accounts 1,2,3 and abnormal loss and abnormal gain account, if any.

18. Write down the objectives and limitations of ratio?

19. Describe the tools and techniques of management accounting?

20. Explain the objectives and limitations of cost accounting?

K5 LEVELS

1. Calculate the information given below extracted from the cost account of a factory producing a commodity in manufacturing of which 3 processes involved. prepare process cost account showing the cost out put and cost per unit at each stage of manufacturedtheoperation in each separate process is completed daily.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 B. C

Direct wages. 640. 1200. 2925

Machine expenses. 360. 300. 360

Factory overhead.200. 225. 240

Raw materials consumed. 2400. - -

Units.Units. Units

Production. 37000. - -

Wastage.1000. 1500. 500

Opening stock of raw materials - 4000.16500

Closing stock of raw materials - 1000. 5500

2. Explain the Objectives of financial analysis.

3.Evaluate the classification of ratios

4.Calculate the cost and profit, from the following data :

Raw materials consumed – Rs .45000

Direct labour -Rs. 27000

Machine hours worked -900

Machine hours rate – Rs 15

Administration overhead -20% on work cost

Selling cost – Rs .1.50 per unit

Units produced – 15000

Units sold – 14000at Rs 12 per unit

5. Distinguish between cost accounting and financial accounting.

6. The received side of the stores ledger account shows the following particulars

Jan 1. Opening balance 500 units @Rs. 4

2. Received 200 units @ Rs. 4.25

12. Received 150 units @ Rs. 4.10

20. Received 300 units @ Rs. 4.50

25. Received 400 units @ Rs. 4

Issues of material were as follows :

January : 4th – 200 units, 10th -400 units, 15th -100 units, 19th – 100 units, 26th – 200. units, 30th - 250 units .

Issues to be priced on the principal of FIFO

7. A company manufacturers a chemical product by series of operations in 3 process Raw material is fed into process and the finished chemical that comes out of process 3 is transferred to finished Goods store. the following particular relating to a operations for April 2015 are given below

	Process 1.	Process 2.	Process 3
Raw materials issued.	80000kgs.	Rs. 960000.	-
Direct wages.	Rs. 125600.	Rs. 172000.	Rs.142500
Overhead costs.	Rs. 168000.	-	-
Normal processing loss in%	Rs. 3%	2%	1%

Output transferred to next process Rs. 74000.kgs Rs. 69400kgs. Rs. 69000kgs

Work in progress.Rs. 3000.Rs. 2400. –

Prepare the process accounts 1,2,3 and abnormal gain account, if any.

8. Distinguish between cost accounting and management accounting?

9.What are advantage and disadvantages of process costing.

10. Calculate the prime cost , factory cost or work cost, cost of production, cost of sales and profit from. the following particulars.

Direct material – 100000

Direct wages – 30000

Wages of foreman – 2500

Electric power - 500

Lighting : factory 1500

Office 500

Store keeper wages – 1000

Oil and water – 500

Rent : factory plant 3500

Office premises 500

Transfer to reserves – 1000

Discount on share return of – 500

Dividend – 2000

Depriciation : factory plant 500

Office premises – 250

Consumables store – 2500

Managers salary – 5000

Directors fees – 1250

Office stationary – 500

Telephone charges – 125

Postage and telegram – 250

Salesman salary – 1250

Travelling expenses – 500

Advertisement – 1250

Warehouse charges – 500

Sales – 189500

Carried outward – 375

Income tax – Rs. 10000

11. Explain the features of process costing

12. Distinguish between minimum level and maximum level.

13. Develop the comparison between job costing and process costing.

14. Outline the scope of management accounting.

15. Following is the revenue statement of hind Trader for the year ended 31st march, 2014

Sales 500000

(-)cost of good sold -300000

Gross profit – 200000

(-) operating expenses – 120000

Operating profit – 80000

(+) non operating income 12000

= 92000

(-) non operating expenses – 4000

Net profit. – 88000

(-) tax 50% - 44000

Net profit after taxes – 44000

Calculate 1. Gross profit ratio

2. Operating ratio

3. Operating profit ratios.

4. Net profit ratio.

16. Make an assessment of the comparative positions of A, B, C after calculating relevant. ratio on the basis of the the following information for assuming 360 days in a year.

	Firm A.	Firm B.	Firm C
Average inventory.	1000000.	1500000	2000000
Credit sales.	6600000.	8325000.	8960000
Cost of goods sold.	6000000.	7500000.	8000000
Expenses of management.	500000.	750000.	1000000
Average receivables.	1320000.	2497500.	3584000

17. Construct the importance and limitations of accounting ratios.

18. Outline the classification of ratios

19. Explain the tools and techniques used in management accounting.

20. Costing – An aid to management. Discuss.