PG DEPARTMENT OF COMMERCE (CA)

QUESTION BANK

COURSE: M.Com (CA) **SEMESTER:**III

SUBJECT CODE: 18PCC311 **SUBJECT:** ADVANCED COST ACCOUNTING

K1 LEVEL

1.Basic objective of cost accounting is

A. Tax compliance B. financial auditC**. cost ascertainment** D. none of these

2. Cost incurred is identified with

A. Each executive B**. each unit of output** C.Each month D. none of these

3. Conversion cost excludes

A. LabourcostB.factory overheadsC. Direct expensesD.**direct material cost**

4. Imputed cost is a

A.**Notionalcost**B.Real cost C.Abnormal cost D.Variable cost

5. Multiple costing is, using in the same firm

A. Single costing method B.**Several methods of costing**C.Tax saving measures D. None of these

6. Cost classification can be done in

A.Two ways B.Three waysC.Four ways D.**Several ways**

7. Factory overheads isalso termed asmanufacturing overhead or

A.Office overhead B.Selling overheads C.Distribution overhead D**. Production overhead**

8. Warehouserent is a part of

A.Prime cost B.**Distribution overheads**C.Selling overhead D.Factory overhead

9. Indirect material scarp is adjusted along with

A.Prime cost B.**Work cost**C..In P&L A/c D.In Trading account

10. Goodwill writtern off is a part of

A. Prime cost B. Work cost C. Cost of production D**.Cost of sales**

11. Cost of sales plus profit is

A**. Selling prices**B.Value of finished goods C. Value of goods produced D. Value of stocks

12. Material control involves

A. consumption of material B. Issue of materialC.Purchase of material D. **Purchase, storage and issue of material**

13. Stock control through stock level and EOQ is called

A. **Demand and supply methods** B. Perpetual inventory system C. Control by importance and exception D. None of these

14. FIFO is

A. Fast Investment in future oders B. **First in First out** C. Fast issues of First oders D. None of these

15. LIFO methodsof 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 unchanging

16. Labour Turnover is

A.Productivity of labourB.Efficiency of labour C**. Change in labour force** D.None of these

17. Idle Time is

A. Time spent by workers in factory B**. Times spent by workers of their work** C. Time spent by workers on their jobs D.None of these

18. Time keeping refers to

A . Time spent by workers on their jobs B**. Time spent by workers in factory** C. Time spent by workers without work D. None of these

20. Piece workers are paid on the basis of

A. Output sold B**. Output produced** C. Output in stock D. None of these

21. Overhead is also known as

A.**On cost** B. Basic cost C. Extra cost D. Chargeable expenses

22. Factory overhead is also termed as

A. Sundry overhead B. Extra overhead C**. Work overhead** D. None of these

23. Primary packing is a part of

A. Distibution overhead B. Selling overhead C. Facoty overheads D**. prime cost**

24. Appropirate basis for apportionment of material handling charges is

A. Material purchased B. Material in stock C**. Material consumed** D. Material wasted

25. ‘ Recreation expenses’ in factory are apportioned on the basis of

A. Material cost B. Wages C. Prime cost D. **Number of employes**

26. Sundry overheads expenses may be apportioned in the ratio of

A. Material consumed C. Number of employees C**. Labour hours** D. None of these

27. Departmentalisation of overhead is known as

A**. Primary distribution** B. Secondary distribution C. Absorption D. None of thses

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

A. Allocation B**. Absorption** C. Apportionment D. None of these

29. Under absorption of overhead take place when

A**. Actual overhead is more than absorbed overhead** B. Absorbed overhead is more than actual overheads C. Standard overhead is more than actual overheads D. None of these

30. Comprehensive machine hour rate includes

A**. Machine operator’s wages** B. Managing director’s salary C. Income tax D. Office rent

31. Reconciliation is usually done between

A. Gross profit and net profit B. Previous year’s profit and current year’s profit C**. Costing profit and financial accounts profit** D. None of these

32. Over absorption of overheads in cost accounts results in

A. **Decrease in costing profit** B. Decrease in financial accounts profit C. No effects on profits of both the accounts D. Increase in financial accounts

33. Over valuation of opening stock in financial accounts

A. Decrease costing profit B.Increase financial account profit C. **Decrease financial accounts profit**

D. Increase costing profit

34. Notional charges in cost accounts like rent on own building

A. Increase costing profit B**. Decrease costing profit** C. Increase financial accounts profit D.None of these

35. Undervalue of closing stock in cost accounts

A**. Decrease costing profit** B. Increase costing profit C. Decrease financial accounts profit D None of these

36. Job costing is most suitable method for

A.Oil processing units; B. Transport companies C. Sugar industry D**. Repair shops**

37. Job cost is usually estimated on the basis of

A**. Customer's specifications** B. Production cost C. Competitors price D. Govt regulations

38. Batch costing is useful to determine

A. Maximum quantity of output B. Minimum quantity of output C**. Economic batch quantity** D. None of these

39. Contact costing is the most appropriate methods of costing for

A**. Construction industry** B. Banking industry C. Textile mills D. Cement industry

40. Cost of contract and profit or loss thereon are determined by preparing

A. Cost sheets B. P&L Ac C. Trading account D**. Separate ledger ccount**

41. The basis of determining profit to be taken into account on incomplete contacts is

A. Cost of contract B. Contract price C**. Of work certified as done** D. uncertified work

42. When there is a loss on an incomplete contract, the transfer to P&L A/C is

A. Proportionate loss to work certified B. Proportionate loss to cash received to work certified

C**. Full amount of the loss** D. None of these

43. Usually, a contract account of an incomplete contract reveals

A. Gross profit B. Net profit C. Operting profit D**. Notional profit**

44. Profit to be transferd to P&L A/C, if a contract is complete to the extent of only20%

A.2/2 B**. Nil** C. 1/3 D.Full profit

45. When a contract is complete to the extent of40%, profit to be taken to P&LA/C is

A.2/3 B.NilC. **1/3** D. 2/3

46. Sunk cost is a cost relating to

    A. The present B. Future **C.Past** D. Tax

47. Elements cost are

    A. **Three Types**B.Two Types C.Four Types D. Five Types

48. ABC always is

    A. **Always better control** B. Advantage of better control C. At best control D. None of these

49. Time study is for

    A. Measurement of work B**. Fixation of standard time** C. Ascertainment of actual hours

    D.None of these

50. Over time is

    A. Actual hours being more than normal hours B. Actual hours being more than standard hours

    C. Standard hours being more than actual hours D.None of these

K2 LEVEL

1. Define Cost:

Cost is the value of economic resources used to as a result of producing or doing the thing coated.

2. Define the term costing:

It refers to the techniques and processes of ascertaining costs and studied the principles and rules concerning the determination of cost of product and services.

3. Narrate any three basic requirement of good costing system?

This system provides sufficient and effective information to the management at the right time.

4. Enumerate the techniques of costing?

   i. Historical costing.
   ii. Standard costing.
   iii. Marginal costing.
   iv. Uniform costing.

5. List out the different methods of costing?

   i. Job costing.

ii. Contract.
iii. Batch.
iv. Process.
v. Multiple.

6. Define prime costing?

It includes direct material direct labour and direct expenses.

7. What is another name of direct expenses?

It is also called as chargeable expenses.

8. What is labour?

It is the remuneration paid for physical or mental effort expended in production and distribution.

9. Narrate the Expenses exuded from costing?

i. Capital cost
ii. Capital losses
iii. Transfer to resale

10. How could you calculate cost of goods sold?

Cost of production + opening stock – closing stock

11. What do you mean by EOQ?

The quantity of material to be ordered in one time.

12. What is minimum stock level?

The minimum quantity of material which must be maintained in hand at all levels.

13. State two merits of Halsey plan?

i. Simple to understand
ii. Simple to operate

14. What is Overtime?

Work done beyond the normal work period.

15. What is material control?

Required of quantity material required quantity at the right time and place.

16. Define Rovan plan?

It is only in the calculation of bonus.

17. Write Note on IDLE time?

The attendance time should agree with job time.

18. Give two methods of time keeping

    i. Manual methods
    ii. Mechanical methods.

19. List out the methods of piece rate system?

    i. Straight piece rate system
    ii. Taylors differential piece rate system
    iii. Matrices Multiple rate system

20. Give two features of good wage system?

    i. Fair both to employer and employee
    ii. Assured of a guaranteed minimum wages.

21. Define Overheads?

Overheads costs are operating cost of business enterprises which cannot be traced directly to a particular unit of output.

22. List out the methods of Overhead?

    i. Manufacturing
    ii. Administration
    iii. Selling overheads
    iv. Distribution overheads
    v. Research and development

23. What is over absorbed overheads?

When expenses absorbed are more than accrual expenses overhead incurred.

24. What is under absorption Overheads?

When expenses absorbed are less than accrual expenses overhead incurred.

25. Give two examples of distribution overheads?

    i. Warehouse staff salaries.

ii. Warehouse rent.

26. What is manufacturing overheads?

Total indirect cost in production function of organisation.

27. List out the behaviours the overheads categories?

i. Fixed overheads cost
ii. Variable overheads cost
iii. Semi variable overheads cost

28. What is a step distribution method?

These methods the cost of most serviceable department is first apportioned to other service department.

29. What is absorption of overheads?

The last step is the process of accounting for manufacturing overheads is adsorption of the overheads.

30. List out the method of overheads rates?

i. Actual overhead rate
ii. Predetermined overhead rates
iii. Blanket overhead rate

31. Define job costing?

It is a form of specific order costing in which cost are attributed to individual jobs.

32. List out the objectives of job costing?

i. Ascertain the cost
ii. Enabling preparation of overhead
iii. Determination of suitable overhead

33. What is the role of estimating in job costing?

i. Part experience
ii. Cost sheet of similar jobs
iii. Forecast of material, labour, overhead

34. Define job

Job involves specific order by a customer and its duration is theot.

35. List out the methods of costing?

i. Specific order costing

ii. Operating costing

36. What is batch costing?

It is modification of job costing.

37. What is contract costing?

It is the one of the variations of specific order costing.

38. What is cost plus contract?

The contractor may desire to make a specific rate of profit.

39. What is completed contracts?

When a contract is completed the overall profit or loss on the contract is transferred to P&L a/c fully.

40. What is incomplete contract?

When there is loss on an incomplete contract it is fully transferred to the P&L a/c.

41. What is process costing?

Process costing is a method of costing which is used to ascertain the cost of output at each stage of production.

42. Mention some industries in which process costing is usually employed?

i. Production is continuous.
ii. Product and processes are standardised.
iii. There may be process losses of the output.

43. List out the important aspect of process costing?

i. Process losses
ii. Inter process profit
iii. Work in progress

44. What are process losses?

In process losses of the nature of wastage, scrap, spoilage etc,,

45. What is abnormal loss?

It should not be allowed to affect the normal cost of production

46. What is the reconciliation?

Tallying the profit revealed by both set of accounts.

47. What are the procedures for reconciliation?

i. Listing of differences.
ii. Selecting base profit and adjusting differences.
iii. Ascertaining resultant profit.

48. What is notional profit?

Incomplete contract shows profit it should be treated as profit earned but only as national profit.

49. What is escalation clause?

When a contract is negotiated escalation clauses may be included.

50. What is extra work?

Contractee may request for some additional work or alteration in original contract.

K3 LEVEL

1. State the meaning and objectives of cost accounting.

2. Explain the functions of cost accounting.

3. You are required to compile a statement showing cost and profit from the

Information given, showing clearly: (A) Material consumed (B) prime cost

(C) works cost (D) Cost of Production (E) Cost of sales (F) Profit and

(G) Sales.

particulars	Rs
Material purchased	200000
Wages	100000
Direct expenses	20000
Opening stock of material	40000
Closing stock of material	60000

Factory overheads is absorbed at 20%on wages.Administration overhead is 25% on th Works cost. Selling and distribution overheads are 20%on the cost of production. Profit is 20%on sales.

4.During the year 2008,X Ltd., produced 50,000 units of a product. The following were theExpenses:

Particulars	Rs
Stock of raw materials on 1.1.2008	10000
Stock of raw materials on 31.12.2008	20000
Purchases	160000
Direct Wages	75000
Direct expenses	25000
Factory expenses	37500
Office expenses	62500
Selling expenses	25000

You are required to prepare a cost sheets showing cost per unit and total cost ateach stages.

5. The cost accounts department of the company has supplied the following data for supply

For the supply of 2000 units of product.

Direct materials : 40000 tons at Rs.5 per ton.

Direct wages : 8000 Labour Hours at Rs.50 per Hour

Overheads :

Varriable : Factory Rs.10 per Labour Hour

Selling Rs.20 per unit

Fixed : Factory Rs.100000 office Rs. 200000

Prepare a statement showing the prices to be fixed which will fetch a profit 25%on Cost.

6. Find out the economic quantity and the number of orders per year from the following Information:

Monthly consumption 3000 units

Cost per unit Rs. 54

Ordering cost Rs. 150 per order

Inventory carrying cost 20%of the average inventory.

7. In a company, weekly minimum and maximum consumption of material A are 25and 75 resectively.The reorder quantity an fixed by the company is 300 units.

The material is received within 4 to 6 weeks from issues of supply order. Calculate Minimum level and maximum level of material A.

8. The following Information is available in respect of component D20:

Maximum stock level	42000 units
Budgeted consumption	: Maximum 7500 units per months
	Minimum 4000 units per months
Estimated delivery period	: Maximum 4 months
	Minimum 2 months

You are required to calculate:

(1) Re-order level (2) Re-order Quantity

9. Explain the Objectives and essentials of material control.

10. What do you understand byinventorycontrol?state its objectives.

11. Indicate the basis you would adopt for apportionment of the following items of overheadsexpenses to different departments.

(A) Factory rent (B).Factory lighting (C) Power (D) Depreciation of plant And machinery (E) Insurance of plant and machinery and fire insurance of stock. (f) Welfare expenses (G) Material Handling charges (H) Indirect material (I) Indirect Wages (J) Supervision (K) Repairs to plant (I)Insurance of building (M) Staff Recreation (N) Canteen expenses (O) Creche expenses (P) Employer’s contribution To E.S.I (Q) Employer’s contribution to P.F ®Stores expenses (S) Sundry expenses.

12.Calculate the overhead allocable to production department A and B from the following:

There are two service department X and Y,X renders servie to A and B in the Ratio of 3:2 and Y renders service toA and B in the ratio of 9:1.Overheads as per Primary overheads distribution is:

A-Rs.49800; B-Rs.29600; X-Rs.15600; Y-Rs.10800.

13. What is meant by ‘Allocation of overheads’?

14.Explain the meaning of ‘secondary apportionment’ of overheads.

15. Comparison between job and contract costing.

16. The following data is available in respect of job no.876:

Direct material;Rs.17000; wages 160 hours at Rs 50 per hour. Variable overheads incurred for all jobs Rs.80000 for 2000 Labourhours.Fixed overheads are absorbed at Rs.20 per hour: Find the profit or loss froms the job if the job is billed for Rs.40000.

17. Modern printers undertook two jobs during the 1st week of june 2007.The following Details are available.

Particulars	JOB 110 Rs	JOB 120Rs
Material supplied	4000	2000
Wages paid	900	600
Direct expenses	200	100
Material transfed from job 120to 110	200	200
Material returned to stores	-	100

18. Seema&co., undertook a contract for construction of a private house.contract price was Rs.40,00,000. The following were the details:

		Rs
Material sent to contract site		1600000
Labour: skilled	600000	
Unskilled	400000	
	-----------	1000000
Subcontracts for plumbing and electricity		400000
Sundry expenses		200000
Closing stock of materials at site		100000

Prepare contract account and determine the profit or loss.

19. What are the main features and requisites of job costing?

20. Distinguish between job costing and contract costing.

21. Discuss the purposes and functions of cost accounting.

22. Calculate prime cost: factory expenses-Rs.10000; selling expenses-Rs.5000 Direct material-Rs 20000;office overhead-Rs.7000;Direct Labour - Rs.15000 and Direct Expenses –Rs. 3000.

23. Calculate Work cost:

	Rs
Factory expenses	700
Office expenses	300
Selling expenses	900
Material consumed	3400

24.Explain the essential material of control.

25. Prepare cost sheet from the following:

Direct material consumed Rs. 10000;LabourRs. 5000;Direct expenses Rs 5000; Factory overheads 10% of prime cost.

K4 LEVEL

26. Enumerate the advantages of cost accounting to the management and to theEmployees.

27. " A good system of costing is an invaluable aid to the management ".Discuss.

28. The following details have been obtained from the cost records of Raja Sekhar Ltd.

Particulars	Rs
Stock of raw materials on 1st Dec.2010	75000
Stock of raw materials on 31st Dec.2010	91500
Direct wages	52500
Indirect wages	2750
Sales	211000
Work-in-progress 1st Dec.2010	28000
Work-in-progress 31st Dec.2010	35000
Purchase of raw materials	66000
Factory rent, rates and power	15000

Depreciation of plant and machinery	3500
Expenses on purchases	1500
Carriage outwards	2500
Advertising	3500
Office rent and taxes	2500
Traveller's wages and commission	6500
Stock of fininshedgoods(1st Dec.2010)	54000
Stock of finished goods(31st Dec.2010)	31000

Prepare a cost sheet giving the maximum possible break up costs and profit.

29. M/s Indhu Industries Ltd.,are the manufacturers of moonlight torches.The following Data relate to Manufacturers of tourches during the month of march 2009.

Particular	Rs
Raw material consumed	20000
Direct wages	12000
Machine hours worked	9500 hours
Machine hour rate	2
Office overheads	20%of work cost
Selling overheads	50Paise per unit
Units produced	20000 units
Unit sold	18000 @Rs 5per Unit

Prepare cost sheet showing the cost and the profit per unit and the total profit earned.

30. Discuss the procedure to be followed by purchasing department while purchasing Material.

31. Explain (A) Maximum level (B) Minimum level (C) Recorder level (D) EOQ.

32. Explain any five methods of pricing material issues.

33. From the following data given by the personnel Department, calculate the labour Turnover rate by applying:

(A) Separation method (B) Replacement method (C) Flux method

No of workers on the payroll:

At the beginning of the month	900
At the end of the month	1100

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.

34. From the following Information calculate the labour turnover rate:

Number of workers at the beginning of the period	: 3800
Number of workers at the end of the period	: 4200

During the year, 40 workers left while 160 workers are discharged. 600 workers are Recruited during the year; of these 150 workers are recruited to fill up vacancies and the rest are engaged on account of an expansion scheme.

35. Kumaresh Ltd., has three production department ‘A’ ‘B’ and ‘C’ and two service Departments ‘D’ and ’E’.the following figures are extracted from records of the Company:

Particular	Rs.
Rent and rates	5000
Indirect wages	1500
Depreciation of macheniery	10000
General lighting	600
Power	1500
Sundries	10000

Following furture details are available:

	TOTAL	A	B	C	D	E
Floor space in square feet	1000	2000	2500	3000	2000	500
Lights points	60	10	15	20	10	5
Direct wages	10000	3000	2000	3000	1500	500

H.P of machines	150	60	30	50	10	-
Value of machinery (Rs)	250000	60000	80000	100000	5000	5000

Apportion the cost to various department on the most equitable basis by preparing a

Primary department distribution summary.

36. A Factory has three service department L, M and N and two production departments -X andY. The following are the expenses allocated and apportioned to the departments as per primary distribution summary.

L	M	N	X	Y
Rs	Rs	Rs	Rs	Rs
10000	8000	12000	30000	40000

The following additional information is also available on the basis of a detailed analysis made.

Service departments Production departments

	L	M	N	X	Y
L's service used	-	20%	30%	30%	20%
M's service used	-	-	40%	30%	30%
N's service used	-	-	-	60%	40%

Prepare a statement showing apportionment of service department overheads under the step method.

37. Enumerate the major groups under function – wise classification of overheads.

38. Discuss in details the " Function classification" of overheads.

39. Explain the different methods of secondary apportionment of overheads.

40. Form the following figures prepare a reconciliation statement between cost and financial Records:

Particulars	Rs
Net profit as per financial records	128755
Net profit as per costing records	172400
Works overheads under-recoverd in costing	3120
Administrative overheads recoverd in excess	1700
Depreciation charged in financial records	11200
Depreciation recovered in costing	12500
Interest received but not included in costing	8000
Obsolescense loss charged in financial records	5700
Income tax provided in financial books	40300
Bank interest credited in financial books	750
Stores adjustments(credit in financial books)	475
Depreciation of stock changed in financial books	6750

41. For a company the profit as per cost accounts is Rs.86250. The following points are found Out on comparison between cost accounts and financial accounts:

	Cost accounts	Financial accounts
(A) Opening stock		
Materials	10300	10500
Work-in-progress	8000	8500
(B) Closing stock:		
Material	15000	14200
Work-in-progress	6000	5600

(C) Dividend and interest receviedRs.600

(D) Loss on sale of investment Rs.1000

(E) Rs.1500 expenses charged in cost accounts but not considered in financial accounts.

(F) Goodwill Rs.2500 and preliminary expenses Rs.3000 have been writtern off during the year.

(G) Overheads incurred Rs. 40600 but overhead recoverd amount Rs. 38500.Find out the Profits as per financial accounts by preparing a reconciliation statement.

42. The following data are from the costing records of Samarth Industries Ltd., in respect of Job No.76;

Materials consumed Rs.6000

Wages:

Cutting department 20 hours at Rs 50 per hour

Shearing deprtment 10 hours at Rs 40 per hour

Boring department 5 hour at Rs.60 per hour

Varriable overheads for the respective department are estimated as follows:

Cutting department Rs.40000 for 2000 Directlabour hours Shearing deprtment Rs.20000 for 2500Directlabour hours Boring department Rs.10000for400 Directlabour hours Fixed overheads are estimated at Rs. 100000 for 20000 normal working hours.

You are required to ascertain the cost of job No.76 and calculate the price to be Charged so as to give a profit of 20% on cost.

43. The following are the expenses of Balaji& co., in respect of a contract which commencedon 1st January 2010:

Particular	Rs
Material purchased	50000
Material on hand	2500
Direct wages	75000
Plant issues	25000
Direct expenses	40000

The contract price was Rs. 750000 and the same was duly received Contract was complete in august 2010. Charge indirect expenses at 15% on wages; Provide Rs.5000 for depreciation on plant and prepare the contract account ant the contractee's account.

44.What is contract costing? Explain the characteristics features of contract and contract Costing.

45 Explain the differents methods of calculating profit on an incomplete contract.

46.Distinguish between Financial accounting and cost accounting.

47. What is inventory turnover ratio? Explain its significance.

48. Explain the methods and applicability of contract costing.

49. How do you deal with (A)materials and(B) plant in contract costing?

50. What is ‘retention money’?Eplain its purpose.