

ARYAN COLLEGE
5 YEARS SCANNER BBA-II COST ACCOUNTING

Unit-I- Introduction to Cost Accounting & Material Control

1. What is meant by Cost Accounting? Explain the nature, objects and advantages of Cost Accounting. **(2016-S)**
2. Ms. Truth, a textile dealer in Warangal commenced business on 1 January 2016, textile materials used include two types M and N.
During six months ended on 30th June 2016, purchases were as follows: **(2016-S)**

Jan 4	500 meter of type M @ Rs. 20 per meter
Jan 6	800 meter of type N @ Rs. 30 per meter
March 18	1150 meter of type M @ Rs. 24 per meter
April 16	1500 meter of type N @ Rs. 32 per meter
May 26	400 meters of type M @ Rs. 19 per meter

Issues were as follows:

Jan 7	350 meters of M
Jan 12	600 meters of N
March 28	710 meters of M
April 22	1430 meters of N
June 6	790 meters of M

3. Write out the complete stores ledger card in respect of above transactions using (a) LIFO and (b) FIFO methods **(2016)**
 - (a) What do you mean by installation of costing system?
 - (b) What is meant by cost accounting? Explain briefly the nature and scope of cost accounting.
4. Components A & B are used weekly as follows: **(2016)**

Normal Usage	150 Units
Maximum Usage	225 Units
Minimum Usage	75 Units
Reorder Quantity	A – 1200 Units : B – 1800 Units
Reorder period	A – 4 to 6 Weeks : B – 2 to 4 Weeks

Calculate for each component

- (a) Re-order level (b) minimum level (c) maximum level (d) average stock level
5. “Cost accounting system is neither unnecessary nor expensive, rather it is profitable investment.” Comment and explain the procedure to be followed for installing a costing system in a factory. **(2015)**
 6. A firm maintains its store ledger on the FIFO method. During the month of April, 2014, the following receipts & issues of materials were made. Record the transactions in the stores ledger charging wastage & shortage (a) As factory overhead & (b) At inflated Price. **(2015)**

2014	
April 1	Opening Balance 400 kgs. @Rs.10 per kg.
April 3	Receipts 500 Kgs. @ Rs.6 per kg.
April 5	Issue 500 Kgs.
April 7	Receipts 400Kgs. @ Rs.8 per kg.
April 15	Wastage (as per stock verification report) 10Kgs.
April 20	Receipts 500 Kgs. @ Rs.10 per kg.
April 25	Issue 850 Kgs.
April 26	Shortage 40 Kgs.
April 30	Receipts 100 Kgs. @ Rs.12 per kg.

7. What is meant by cost accounting? Explain briefly the nature and scope of cost accounting. **(2014)**
8. “Costing is an essential tool of management.” Comment and list out the points that a cost accountant should keep in mind before installing a costing system in an organisation. **(2014)**
9. An abstract of Stores Ledger Account is given below: **(2014)**

Date	Receipts			Issue		
	Qty. units	Rate (Rs.)	Amount	Qty. units	Rate (Rs.)	Amount
Jan.2	4,000	1.80	7,200	-	-	-
Jan.6	2,000	1.75	3,500	-	-	-
Jan.15	-	-	-	10,000	-	19,500
Jan.20	-	-	-	5,000	-	9,750
Jan.22	3,000	1.85	5,500	-	-	-

Jan.25	3,000	1.90	5,700	-	-	-
Jan.31	-	-	-	10,000	-	19,200

Opening stock on 1st January was 20,000 units valued at Rs. 40,000. Closing stock as per physical verification on 31st January was 6,950 units.

Work out the method of pricing which you consider to have been used for the issue of materials and show the working of the issue rate. Complete Store Ledger Account of the material and find out the value of closing stock.

10. What is meant by cost accounting? Explain briefly the objects and advantages of cost accounting. (2013)
11. Prepare a stores ledger account showing the issue of material on :a.FIFO b.LIFO.From the following information. (2013)

Receipts			Issues	
Date	Unit	Rate(Re.pu)	Date	Unit
3.01.2013	2,000	1.00	4.01.2013	500
5.01.2013	3,000	1.40	7.01.2013	2,000
10.01.2013	2,000	1.50	15.01.2013	3,000
20.01.2013	3,000	1.80	25.01.2013	2,500

Unit-II- Labour Cost control & Overhead control

1. What do you mean by 'Labour Turnover'? What are different methods to calculate it? Explain with example. (2016-S)
2. A machine shop contains four newly purchased machines. Each occupying practically equal space and costing respectively:
 A-Rs. 20,000, B-25,000, C-Rs.30, 000 D-Rs.40, 000.
 The following are the expenses per annum of the machine shop:
 Rent 10, 000 Power A 5100 Power D 14,500
 Rates & Water 4200 Power B 5000 Adminis. Exp. 9500
 Light & Fuel 7150 Power C 12, 000 Running Exp. 20,000
 Prepare a machine hour rate for each machine assuming 45 hours a week, 50 weeks per year, 80% utilisation the life of machines being 10 years each without any scrap value.
3. What earning will a workmen receive under the following incentive schemes if he executes a piece of work in 120 hrs as against 150 hrs allowed to him. His hourly rate is 25 paise & he gets a dearness allowance of Re.1 per day of 8 hrs worked in addition to his wages: (2016)
- (a) Halsey Premium Plan (b) Rowan Plan (c) Emerson's efficiency Plan
4. Short Notes: (2016)
- (a) Labour Turnover (b) Functional Classification of Overheads (c) Machine Hour-Rate (d) Departmentalisation of overheads
5. Describe in detail a system of payment of wages in a large factory showing clearly the save guards you would employ against fraud or theft. (2015)
6. What do you mean by "absorption of overhead"? Explain the different methods of absorptions of overheads. You are also required to explain their relative advantages and disadvantages. (2015)
7. What do you understand by labour turnover? How is it measured? What are its causes? How can labour turnover be minimised? (2014)
8. Define Overhead. What are the different methods of classifying overhead? Indicate the advantages of classifying overhead into fixed in variable. (2014)
9. From the following information, Calculate wages under Emerson's efficiency Scheme: (2013)
- Standard time: 8 hrs
 Standard Production : 100 Units
 Time Rate : Rs.20 per hr
 Actual Output Units : 60 ,70 ,85 , 95, 100, 110
 Bonus Rate :
 Efficiency % : 66.7-70 70-80 80-90 90-100
 Bonus: 2% 8% 14% 20%
10. "Classification of overhead into fixed and variable is highly helpful to the management for efficient running of the factory" Discuss. (2013)
11. A machine costing Rs.2,00,000 is expected to run for 10yrs.Its estimated scarp value is Rs.20,000.Installation charges are Rs.6,000.Repairs for 10yrs life is expected to be Rs.25,000 & the machine is expected to run for 3,000 hrs in a yr.It will consume power at 15 units per hr @Rs.2p.u. The machine occupies 1/5th of the area of the department & has 2 pints out of 6 in the department for lighting. The foreman has to devote about 30% of his time for this machine.The rent & rates of the department is Rs.5,000 per month,Lighting & heating Rs.1,200 per month.The Foremen's salary amounts to Rs.4,000 per month .Insurance is @ 2% p.a. of cost of machine & expenses for oiling , greasing etc .are Rs.900 per month.

Find out machine hr rate of this machine for the recovery of fixed expenses & the machine expenses separately. (2013)

Unit-III- Cost Ascertainment, Contract, Operating & Process Costing, Reconciliation of Cost & Financial Acc.

1. From the following information given by a manufacturing company which manufactures a product. You are required to prepare process accounts. (2016-S)

	Process I	Process II	Process III
Direct Material	30,000	7,500	7,500
Direct wages	22,500	15,000	15,000
Closing stock	7,500	8,750	21,300

Finished goods sold for Rs. 1, 30,000. Value of closing finished stock Rs. 5,612. It is the policy of the company to charge 20% on transfer price or 25% on cost price while transferring the goods from process I to process II and 20% on cost price from process II to process III and from process III to the finished stock.

2. Mr. RVS took a contract for the construction of a cinema building on 1st April, 2015. The contract price was Rs. 75, 00,000. The following details are available at the end of 31st March, 2016: (2016-S)

	Rs.
Material Issued	12,00,000
Labour paid and accrued	4,50,5000
Plant Issued	6,00,000
Direct Expenses	3,00,000
Establishment charges	75,000
Materials returned to stores	75,000
Wages Outstanding	90,000
Direct Expenses accrued	1,20,000
Material issued from stores	1,50,000
Cash received(80% of work certified)	30,00,000
Work uncertified	7,50,000
Materials in hand	30,000
Plant in hand	4,50,000

Prepare the Contract Account and show the amount that would appear in the Balance Sheet.

3. What do you understand by reconciliation of cost and financial accounts? Why is reconciliation of cost and financial accounts necessary? Give any eight items which appear in the financial accounts but do not appear in the cost accounts. (2016-S)
4. What is meant by “Contract Costing Method”? Is it desirable to take into account the profit on incomplete contracts at the date of balance sheet? If so, why and to what extent? (2016)
5. Explain the following: (2016)
- (a) Absolute Tonne Km
- (b) Objectives of reconciling cost profit with financial profit
- (c) Characteristics of cost sheet
6. The production of a company passes through 3 distinct processes to completion. The expenses & other details were as follows: (2016)

	Process A(Rupees)	Process B(Rupees)	Process C(Rupees)
Input 4000 units at	13,560	-	-
Materials	12,000	10,000	9,000
Direct Labour	16,000	5,000	4,900
Manufacture Expenses	2,000	3,400	3,590
Other works expenses	3,500	2,005	2,004
Other Information:			
Normal Wastage	2%	4%	2.5%
Sale of Normal wastage(Re.p.u.)	0.25	0.50	0.60
Output(in units)	3,850	3,600	3,500

Prepare Process Account & Work out the Sale price per unit of the finished output so as to realise 20% profit on selling price.

7. Jaipur Construction company undertook a contract for the construction of a Bridge. On 1st January,2014, the following balances were revealed from the costing records in respect of that contract: (2015)

Materials at site	7,500
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Plant at site	18,000
Work certified (Value)	1,80,000
(Cash Received 80%)	
Cost of work uncertified	30,000
Profit reserved	10,500

During this year the following expenses were incurred:

	Rupees.
Materials	24,000
Wages	32,000
Wages approved on 1.1.14	1,500
Material at site certified work during the yr(Value)	1,80,000
Uncertified work(Cost)	1,100
Wages approved on 31.12.2014	2,100
Administrative expenses paid during the yr	1,800
Administrative approved on 1.1.2014	300
Contract price	4,00,000

Depreciation on Plant is to be provided @ 10 % per annum. Material costing Rs,830 was found unsuitable for the contract & was sold for Rs.790.Prepare Bridge Contract Account for the year ending 31st December ,2014 & state as to what profits should be taken to P&L account.

8. What is meant by “Operating Costing”? In which industries it is used? Prepare a transport operating cost sheet with imaginary figures and discuss the various items included in it. **(2015)**
9. Prepare Memorandum Reconciliation Account on the basis of the following information obtained from the books of a manufacturing unit for the yr 2013-14: **(2015)**

	Rupees.
Profit as per cost record -estimated	3,44,800
Profit as per financial books -actual	2,57,510
Works overhead under – absorbed in cost acc.	6,240
Administrative overhead over - absorbed in cost acc.	5,000
Selling overhead recovered less in cost acc.	1,600
Depreciation absorbed in cost acc.	25,000
Depreciation charged in financial books	22,400
Loss due to obsolescence charged in financial books	11,400
Interest on investments not included in cost acc.	16,000
Income tax provided in financial books	80,600
Bank interest & transfer fees accounted in financial books only	1,500
Stores adjustment credited in financial books only	950
Loss due to depreciation in stock values accounted for financial books only	13,500

10. From the following particulars calculate the profit as revealed by cost records & financial records & also prepare a reconciliation statement. **(2014)**

	Rs.
Opening Stock of raw material	50,000
Opening stock of finished goods	1,50,000
Purchases of Raw Material	3,50,000
Direct Wages	1,50,000
Factory Lighting	3,000
Factory rent	24,000
Power & Fuel	30,000
Indirect wages	2,500
Depreciation on plant & machinery	50,000
Oil , Waste etc	2,000
Works manager’s salary	23,000
Office rent	18,000
Office lighting	600
Misc. factory expenses	1,250
Depreciation on office appliance	2,000
Salaries of administrative staff	20,000
Closing stock of finished goods	50,000
Closing stack of raw material	75,000

Donation	10,000
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Factory overheads is charged at 20% of prime cost & office & administrative expenses at 50% factory overhead. The selling price has been fixed by adding 25% on the total cost of manufactured & finished articles sold.

11. Product A yields by Product X & Y, the joint & subsequent expenses of manufacture were as follows: **(2014)**

	Joint Expenses	Subsequent Expenses		
	Rs.	A(Rs.)	X(Rs.)	Y(Rs.)
Materials	1,12,000	40,000	25,000	13,000
Labour	80,000	42,000	30,000	12,000
Overheads	90,000	44,000	20,000	10,000
	2,82,000	1,26,000	75,000	35,000
Selling Prices		5,10,000	2,10,000	1,00,000
Estimated Profit on selling price		40%	30%	20%

Show the manner in which the joint expenses of manufacture are apportioned between three production accounts & prepare the production accounts.

12. The production of a company passes through 3 distinct processes to completion. The expenses & other details were as follows: **(2013)**

	Process A(Rs.)	Process B(Rs.)	Process C(Rs.)
Input 4,000 units at	13,560	-	-
Materials	12,000	10,000	9,000
Direct Labour	16,000	5,000	4,900
Mfg. Expenses	2,000	3,400	3,590
Other works expenses	3,500	2,005	2,004
Normal wastage	2%	4%	2.5%
Sale of normal wastage(p.u.)	0.25	0.50	0.60
Output(in units)	3,850	3,600	3,500

Prepare Process Accounts & workout the Sale price per unit of finished output so as to realise 20% profit on selling price.

13. State the reasons for disagreement between the costing and financial results. Prepare an imaginary reconciliation statement. **(2013)**