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Code No. : 20470 E   Sub. Code : SMCO 52

B.Com. (CBCS) DEGREE EXAMINATION,
NOVEMBER 2020.

Fifth Semester

Commerce — Main

COST ACCOUNTING

(For those who joined in July 2017 onwards)

Time : Three hours   Maximum : 75 marks

PART A — ($10 \times 1 = 10$ marks)

Answer ALL the questions.

Choose the correct answer :

1. Cost incurred is identified with

   (a) Each executive

   (b) Each unit of output

   (c) Each month

   (d) None of these

2. Cost classification can be done in

(a) Two ways (b) Three ways

(c) Four ways (d) Several ways

3. Process cost is ascertained and recorded in

(a) Balance sheet

(b) Profit and loss account

(c) Separate statement

(d) Separation account in ledger

4. Scrap value of normal loss is

(a) Credited to P and L A/C

(b) Show in balance sheet

(c) Credited to process A/C

(d) Debited to process account

5. Marginal cost is

(a) Prime cost

(b) Variable cost

(c) Work cost

(d) Cost of production

6. Break even cart is a chart of

(a) sales (b) total cost

(c) profit (d) sales and total cost

7. Consumption of raw material is based on

(a) production (b) sales

(c) cash (d) maket

8. A production budget is based on

(a) Cash budget (b) Overhead budge

(c) Sales budget (d) Purchase budget

9. Standard cost is a ————

(a) Predetermined cost

(b) Post determined cost

(c) Undermined cost

(d) None of these

10. Control ratio are calculated for

(a) Comparison of actual performance with budgets

(b) Planning of activity

(c) Financial performance measurement

(d) None of these

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) State the meaning and objectives of cost accounting.

Or

(b) During the year 2018, Mr. Raja Ltd, purchased 50,000 units of a product. The following were the expenses

	Rs.
Stock of raw materials on 1.1.2018	10,000
Stock of raw materials on 31.12.2018	20,000
Purchases	1,60,000
Direct wages	75,000
Direct expenses	25,000
Factory expenses	37,500
Office expenses	62,500
Selling expenses	25,000

You are required to prepare a cost sheet.

12. (a) Sham and Co., produces a product through two processes 'R' and 'S'. The following details pertaining to process 'R' for January 2018 are available

Inputs	Rs.
Materials (500 units)	10,000
Labour	8,000
Indirect expenses	7,000

Normal loss in the process is estimated at 5% of the input which processes a scrap value of Rs. 31 per unit. Prepare the process account.

Or

(b) Describe the advantages of process costing.

13. (a) From the following information relating to JBM Ltd., you are required to find out

(i) P/V ratio, (ii) Break even point (iii) Profit (iv) Margin of safety (v) volume of sales to earn profit of Rs. 6,000

	Rs.
Total fixed costs	4,500
Total variable costs	7,500
Total sales	15,000

Or

(b) Briefly explain the features of marginal costing.

14. (a) A company which supplies its output on contract basis as component to an assembling firm has a contract to supply 10,000 units of its only product during 2018. The following were the budgeted expenses and revenue

	Rs.
Material	15 per unit
Wages	10 per unit
Work expenses (fixed)	40,000
Variable	4 per unit
General expenses	
(all fixed)	60,000

Profit is 20% on sales price.

Prepare the budget for 2018 showing the cost and profit.

Or

(b) State the differences between forecast and budget.

15. (a) The standard material required to manufacture one unit of product X is 10 kg. and the standard price per kg. of material is Rs. 2.50. the cost accounts records, however, reveal that 11,500 kg. of materials costing Rs. 27,600 were used for manufacturing 1,000 units of product X. Calculate material variances.

Or

(b) Briefly explain types of standards.

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) The following extracts of costing information relates to commodity 'A' for the half year ending 31st December 2018.

	Rs.
Purchase of raw material	1,20,000
Works overheads	48,000
Direct wages	1,00,000
Carriage on purchase	1,440

	Rs.
Stock (1.1.2018)	
Raw material	20,000
Finished products	
(1,000 tons)	16,000
Stock (31.12.2018)	
Raw material	22,240
Finished products	
(2,000 tons)	32,000
Work in progress	
(1.7.2018)	4,800
Work in progress	
(31.12.2018)	16,000
Sales-finished products	3,00,000

Selling and distribution overheads are Re. 1 per ton sold. 16,000 tons of commodity were produced during the period.

You are to ascertain

(i) Cost of raw material used

(ii) Cost of output for the period

(iii) Cost of sales

(iv) Net profit for the period and

(v) Net profit per ton of commodity.

Or

(b) The accounts of pleasant company Ltd., show the following details for the year 2018.

	Rs.
Material	3,50,000
Labour	2,70,000
Factory overheads	81,000
Administrative overheads	56,080

It is estimated that Rs. 1,000 for materials and Rs. 700 for labour will be required for one unit for the finished product for quotation purpose.

Absorb factory overheads on the basis of labour and administrative overheads on the basis of works cost. A profit of 12.5% on selling price is required on quotation.

(i) Prepare a cost sheet

(ii) Prepare a statement showing selling price per unit of finished product.

17. (a) A product passes through three processes 'X', 'Y' and 'Z' to its completion. During September 2018, 5,000 units of finished product were product were produced and the following expenses were incurred

	Process X	Process Y	Process Z
	Rs.	Rs.	Rs.
Material	5,000	10,000	5,000
Direct wages	25,000	20,000	15,000
Direct expenses	2,5000	3,000	5,000

Indirect expenses amount Rs. 30,000 which are to be apportinoned to the processes on the basis of direct wages. Raw Materials worth Rs. 30,000 were issued to process 'X'. Ignore the quotation of process stocks and prepare the process accounts, showing cost per unit in each process.

Or

(b) Prepare a process account from the following along with abnormal loss account and normal account

Material used to process 1000 kgs at Rs.200 each

	Rs.
Wages	1,40,000
Overheads	20,000

Normal loss 10% of output

Actual output 800kgs.

18. (a) Kumar Ltd., presents the following results for one year. Calculate the P/V ratio, BEP and margin of safety

	Rs.
Sales	2,00,000
Variable cost	1,20,000
Fixed cost	50,000
Net profit	30,000

Or

(b) From the following information, calculate

(i) Break even point

(ii) Number of units that must be sold to earn a profit of Rs. 60,000 per year

(iii) Number of units that must be sold to earn a net income of 10% on sales

	Rs.
Sales price	20 per unit
Variable cost	14 per unit
Fixed cost	79,200

19. (a) Prepare a flexible budget for overheads on the basis of the following data. Ascertain overheads rates at 50%, 60% and 70% capacity.

	Rs.
Indirect material	6,000
Indirect labour	18,000
Semi-variable overheads	
Electricity	
(40% fixed 60% variable)	30,000

	Rs.
Repairs	
(80% fixed 20% variable)	3,000
Fixed overheads	
Depreciation	16,500
Insurance	4,500
Salaries	15,000
Total overheads	93,000
Estimated direct	
labour hours	1,86,000

Or

(b) Angel and Co., uses two materials 'X' and 'Y' to produces a product. for the year 2018, they have planned to sell 2000 units of the product. Production department informs that after providing for normal loss, etc., 5 kgs per unit of material 'X' and 2 kgs per unit of material 'Y' are needed for the product.

The stores incharge, after a study of his records and orders placed to the vendors, provides the following details

	Finished product units	Material X (Kgs)	Material Y (Kgs)
Estimated stock on 1.1.2018	400	1,800	700
Materials on order 1.1.2018	–	2,000	500
Desired stock on 31.12.2018	600	2,200	800
Estimated materials on order on 31.12.2018	–	1,800	600

Estimated

average

purchase

price during

2018	–	8 per kg	15 per kg

You are required to prepare a purchase budget for the materials, clearly showing the total cost of estimated purchases.

20. (a) The standard cost of a chemical mixture is as under:

8 tons of material A at Rs. 40 per ton

12 tons of material B at Rs. 60 per ton

Standard yield is 90% of output

Actual cost for a period is as under:

10 tons of material A at Rs. 30 per ton

20 tons of material B at Rs. 68 per ton

Actual yield is 26.5 tons

Compute all materials variances.

Or

(b) Trishul industries turns out only one article, the prime cost standards for which have been established as follows:

	Per completed piece
Materials - 5 lbs. @ Rs. 4.20	Rs. 21
Labour - 3 hours @ Rs. 3	Rs. 9

The production schedule for the month of July 2018 required completion of 5,000 pieces. However 5,120 pieces were actually completed.

Purchases for the month of July 2018 amounted to 30,000 lbs. of material at the total invoice price of Rs. 1,35,000

Production records for the month of July 2018 showed the following actual results.

Materials requisitioned and used	25,700 lbs
Direct labour-15,150 hours	Rs. 48,480

Calculate appropriate material and labour variances.