

AVINASHILINGAM INSTITUTE FOR HOME SCIENCE AND HIGHER EDUCATION FOR WOMEN,  
COIMBATORE-641043  
MASTER'S DEGREE EXAMINATION- November 2017  
Semester - I

CLASS: I PG  
MAJOR: Commerce /M.Com CA.,

MAXIMUM MARKS: 60  
TIME: 3 Hrs

17MCOC06/17MCCC06 Cost Accounting

Part -A

10 x ½ = 5 Marks

Choose the Correct Answer

1. Cost accounting helps to ascertaining and controlling -----.  
a, cost      b, revenue      c, revenue,      d, loss
2. Continuous stock taking is a part of -----.  
a, annual stock taking      b, perpetual inventory      c, ABC analysis      d, sock checking
3. For reducing labour cost per unit, which of the following factors is most important?  
a, low wage rate      b, higher input output ratio      c, strict control supervision      d, longer hours of work
4. When the amount of under or over absorption of significant, is should be disposed of by -----  
a, transferring to costing P/L A/c      b, The use of the supplementary rates  
c, carrying over the as a deferred charge to the next accounting year      d, any of the above
5. In contract costing, the cost unit is -----  
a, centre      b, a contract      c, an agreement      d, a method
6. These are added back to costing profit to reconcile it with profit as per financial book -----  
a, notional charges      b, loss on investment      c, discount on shares      d, profit on investment
7. Which of the following is considered to be the normal loss of materials?  
a, loss due to accidents      b, pilferage  
c, loss due to breaking the bulk      d, loss due to carless handling of materials
8. When average method is used in process costing, the opening the inventory costs are -----  
a, kept separate from the cost of the new product      b, added to the new cost  
c, subtracted from the new cost      d, averaged with other costs to arrive at total cost
9. Cost audit assist the -----  
a, cost auditor      b, financial auditor      c, managerial persons      d, none of these
10. ----- analysis is a systematic identification of unnecessary costs.  
a, value      b, cost      c, function      d, relationship

**Part – B**

**5 x 4 = 20 Marks**

**Answer ALL Questions**

**Each answer should not exceed 200 words or one page**

11.a, Discuss the characteristics of a good costing system. (OR)

11.b, The components A and B are used as follows:

Normal usage 300 units per week each      Maximum usage 450 units per week each  
Minimum usage 150 units per week each      Reorder Quantity A 2,400 units; B 3,600 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.

12.a, What is Labour Turnover? Indicate the steps which may reduce labour turnover (OR)

12.b, Calculate the earnings of a worker under (a) Rowan Premium Bonus system (b) Halsey Weir Premium bonus system (40% to worker) from the following particulars:

Hourly rate of wages (guaranteed) Re 0.75  
Standard time for producing 1 dozen articles is 3 hours  
Actual time taken by the worker to produce 20 dozen articles in 48 hours.

13.a, The direct costs were incurred on job No. 404 of Vanaja Industries.

Materials Rs.8,600. Wages: Department A 60 hours at Rs 6 per hour, Department B 40 hours at Rs 4 per hour, Department C 20 hours at Rs 10 per hour.

Overhead expenses of these departments were estimated as under:

Variable overheads: Department A Rs 10,000 for 5,000 labour hours, Department B Rs 6,000 for 1,500 labour hours, Department C Rs3,000 for 500 labour hours.

Fixed overheads are estimated at Rs 40,000 for 10,000 normal working hours. Calculate the cost of Job No. 404 and the price to give a profit of 25% on selling price. (OR)

13.b, From the following information calculate total kilometers and total passenger kilometers:

Number of buses :5      Days operated in the month : 25  
Trips made by each bus :4      Distance of route : 25 Km. ( one side)  
Capacity of Bus: 50 passengers      Normal passenger travelling : 90% of capacity.

14.a, Prepare process account from the following.

Material issued 1000 kg at Rs 125,  
Wages Rs 28000, Overhead Rs 8000, Normal loss 5% of input, Output 900 Kgs. (OR)

14.b, In manufacture of a product 1000 kgs. of Raw material at Rs 8 per kg. were supplied to process X. Other expenses of this process were as follows: Labour cost Rs 2,000. Production expenses Rs 1,000. Normal loss been estimated at 10% which could be sold at Rs 2 per kg. The actual output in this process was 880 kgs.

Prepare Process account.

15.a, Explain the salient features of Cost Accounting Records (OR)

15.b, In what respect cost audit is different from financial audit ?

**Part - C**

**5 X 7 = 35 Marks**

**Answer ALL Questions**

**Each answer should not exceed 600 words or 3 pages**

16.a, What do you mean by cost accounting and explain its objectives. (OR)

16.b, From the following particulars, prepare a statement showing the components of the total sales and the profit for the year ended 31<sup>st</sup> December.

Stock of finished goods (1<sup>st</sup> January) Rs 6,000, Stock of raw materials (1<sup>st</sup> January) Rs 40,000, Work in progress (1<sup>st</sup> January) Rs15,000, Purchases 4,75,000, Carriage inwards 12,500, Factory rent ,rates and taxes Rs 7,250, Other production expenses Rs43,000,Stock of goods (31<sup>st</sup> December) 15,000,Wages 1,75,000, Work manager salary 30,000,Factory employees salary 60,000,Power expenses 9,500, General expenses 32,500, sales for the year 8,60,000, Stock of Raw material 50,000, Work in progress (31<sup>st</sup> December)10,000.

17.a, Compare and contrast Time rate and Piece rate method of wage payment.

17.b, In a factory there are two service departments P & Q and three production departments A, B, and C. During April 1995 the department expenses were Production department A Rs 65,000, Production department B Rs 60,000, Production department C Rs 50,000, Service department P Rs 12,000, Service department Q Rs 10,000. The service department expenses are allocated as follows:

	A	B	C	P	Q
Department P	30%	40%	15%	---	15%
Department Q	40%	30%	25%	5%	---

Distribute the service department expenses over the production departments under the Repeated Distribution Method.

18.a, Show how you would deal with plant in contract account with the following information.

Plant issued to contract on 1 st march, costing Rs 1,00,000. Plant costing Rs 5,000 was transferred to 'A' contract on 30<sup>th</sup> August. Plant costing Rs 4,000 was stolen and another costing Rs 3,000 was destroyed by fire. The plant was insured against fire to the full value . Plant costing Rs 5,000 was sold for Rs 4,000. Plant at the end of December was valued by charging depreciation @ 10% per annum on 31<sup>st</sup> December. (OR)

18.b, The financial books of a company show a net profit of Rs 2,57,510 for the year ending 31<sup>st</sup> December. The cost accounts show a net profit of Rs 3,44, 800 for the same corresponding period. The following facts are brought to light. Prepare Reconciliation statement.

Under recovery of factory overhead in cost A/c 6,240      Over recovery of overhead in cost A/c 3,400

Depreciation in financial accounts 22,400                      Depreciation in cost accounts 25,000

Interest on investments not included in cost 16,000      loss on obsolescence charged in financial accounts 11,400

Income tax debited in financial accounts 80,600      Bank interest and dividend credited in financial accounts 2,450

Loss in stock not charged in cost accounts 13,500

19.a, The following information relates to the main product A and its by-product B. B is sold at profit of 20% on the selling price.

	Joint expenses (Rs.)	Separate expenses	
		A (Rs.)	B (Rs.)
Material	9,000	2,000	1,000
Labour	4,000	800	300
Expenses	2,000	1,000	400

Total amount realized by sale of product B was Rs. 3,500. Find out the cost of A and B.(OR)

19.b, What are the advantages of process costing

20.a, Distinguish between cost control and cost reduction (OR)

20.b, Explain the fundamentals of Total Quality Management