

QUESTION BANK

PAPER: COST ACCOUNTING

COURSE: B.Com (Semester IV)

MCQs

1. The basic objective of cost accounting is
 - a) Recording of cost
 - b) Reporting of cost
 - c) Cost control
 - d) Earning Profit

2. Standard costs imply
 - a) Predetermined cost for a period
 - b) Incurred cost
 - c) Conversion cost
 - d) Incremental cost

3. Material Management is needed
 - a) To keep material cost under control
 - b) To ensure continuous supply of material
 - c) To avoid over & under stocking of material
 - d) All the above

4. Cost of abnormal time is treated as
 - a) Direct Wages
 - b) Overheads
 - c) Costing P&L item
 - d) None of the above

5. Overhead means
 - a) The aggregate of indirect materials, indirect labour and indirect expenses
 - b) All expenses with respect to materials
 - c) All expenses with respect to labour
 - d) Direct and indirect expenses

6. When the actual overhead is more than the absorbed overhead, then it is called
 - a) Capacity costs
 - b) Over absorption
 - c) Under absorption
 - d) None of the above

7. Work in progress (WIP) in contract means
 - a) Work certified only
 - b) Work certified and work uncertified
 - c) Work uncertified only
 - d) None of these

8. Job costing is suitable for
 - a) Firms manufacturing goods on a continuous basis
 - b) Firms manufacturing goods to customer's specific requirements
 - c) Departments/organisations rendering services
 - d) Continuous or mass production industries

9. Integrated accounting system is beneficial because
 - a) Perpetual inventory system can be dispensed with
 - b) No valuation of work in progress is necessary
 - c) Estimation of budgets easy
 - d) It eliminates problems of reconciliation

10. Composite unit is distinctive feature of
 - a) Job costing
 - b) Operating costing
 - c) Process costing
 - d) Contract costing

SHORT QUESTIONS

1. Differentiate between cost units and cost centre.
2. Differentiate between waste, scrap and defectives and explain their treatment in cost accounts.
3. From the following data, given by the personnel department, calculate the labour turnover rate by applying:
 - i) Separation method
 - ii) Replacement method
 - iii) Flux method

Number 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 persons 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.

4. In a company weekly minimum and maximum consumption of material A are 25 and 75 units respectively. The reorder quantity as fixed by the company is 350 units. The material is received within 8 to 10 weeks from issue of supply order. Calculate minimum level and maximum level of material A.
5. How would you treat abnormal loss and abnormal gain in process costing?
6. The budgeted expenses of three departments of Raja engineering company for the year 2014-15 are as follows:

	A	B	C
Direct material (₹)	120000	95000	90000
Direct wages (₹)	115000	80000	80000
Factory overheads (₹)	95000	65000	63750
Administrative overheads (₹)	20000	20000	12000
Direct labour hours	10000	13000	7500

The company recovers factory overheads at direct labour rates and administration overheads as percentage of factory cost.

The direct costs and labour hours incurred on job number 26 completed during the year are as follows:

	Department A	Department B	Department C
Direct material (₹)	6000	5000	4000
Direct wages (₹)	4200	3300	2250
Direct labour hours	1000	1200	600

What price should be charged for job number 26 to include a profit of 10% on cost?

7. Define Activity Based Costing. What are its special features?
8. XYZ Ltd. which absorbs overheads at predetermined rates provides you the following information:

Overheads actually incurred	₹ 200000
Overheads absorbed	₹ 150000
Goods sold	13000 units
Stock of finished goods	10000 units
Stock of work in progress	10000 units (20% complete)

Unabsorbed overheads were due to rising price levels. How would under absorbed overheads be treated in cost accounts?

9. What do you understand by “Integrated Accounts”? State the advantages of “Integrated Accounts”.

10. Prepare a Reconciliation account from the following details:

Profit as per cost accounts was of ₹60,000, while the profit as per financial accounts was of ₹59,700. Values of opening & closing stock as shown in cost & financial accounts were as under:

	<u>Financial Accounts</u>	<u>Cost accounts</u>
<u>Raw Materials:</u>	□	□
Opening	25,300	25,000
Closing	30,000	29,600
<u>Work-in-Progress:</u>		
Opening	16,000	15,500
Closing	20,000	19,900

LONG QUESTIONS

1. “Cost accounting is a tool of managerial planning and control”. Explain the statement.
2. What do you understand by time keeping? What are the various methods of time keeping? How time keeping is different from time booking?
3. The following is the record of receipts and issues of a certain material in a factory during a month.

March 2015

1	Opening stock	5000 units @ ₹10 per unit
5	Issued	3000 units
7	Received	6000 units @ ₹10.2 per unit
15	Issue	2500 units (stock verification reveals loss of 100units)
16	Received back from orders	1000 units (previously issued at ₹9.15 per unit)
17	Issued	4000 UNITS
25	Received	2200 units @ ₹10.30 per unit
27	Issued	3800 units

At what price will you issue the materials according to FIFO and LIFO methods using perpetual inventory system?

4. A company manufactures a product with semi- annual demand of 16,000 units. One unit of the product needs 3 litres of a chemical “R”. Cost per litre of R is ₹20. Cost of placing an order is ₹1000 and carrying cost is 15% per annum of average inventory.

Determine the Economic Order Quantity for R. Should the company accept an offer of 2% discount by the supplier, if he wants to supply the annual requirement of R in 4 equal installments?

5. The following particulars relate to processing machine treating a typical material

Cost of machine	₹10000
Estimated life	10 yrs
Scrap value	₹1000
Yearly working time (50 weeks of 44 hours each)	2200 hrs
Machine maintenance	200 hrs p.a.

Setting up time estimated at 5% of total productive time and is regarded as productive time

Electricity is 16 units per hr at 10 paise per unit.

Chemical required weekly ₹20

Maintenance cost per year ₹1200

Two attendants control the operations of machine together with six other machines. Their combined weekly wages are ₹140

Departmental overhead allocated to this machine per annum ₹2000.

Calculate Machine Hour Rate.

6. Following figures have been extracted from the accounts of a manufacturing concern for the month of January 2016:

i) Indirect materials:

Production department X	₹2400
Production department Y	₹1800
Production department Z	₹500
Maintenance department M	₹3000
Stores department S	₹800
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	₹8500

ii) Indirect labour

Production department X	₹2500
Production department Y	₹3000

8. The following information relates to a building contract for ₹10,00,000 for two years i.e., 2014 and 2015.

	2014 (₹)	2015 (₹)
Material issued	400000	89000
Direct wages	130000	100000
Direct expenses	22000	10000
Indirect expenses	6000	1400
Work certified	750000	1000000
Work uncertified	8000	-
Closing material at site	5000	7000
Plant issued	15000	3000
Cash received from contractee	600000	1000000

The value of plant at the end of 2014 and 2015 was ₹8000 and ₹7000 respectively. Prepare Contract A/C and Contractees A/C for two years 2014 and 2015 taking into consideration such profit for transfer to profit and loss A/C. Also show how work in progress will appear in the balance sheet of the year 2014.

9. The following profit and loss A/C for the year ending 31st march 2015 has been extracted from the books of ABC Ltd.

Profit and loss a/c
(for the year ending 31.3.15)

Particulars	₹	Particulars	₹
To direct material	20000	By sales	45000
To direct labour	10000	By work in progress	1300
To factory expenses	9500	By finished stock in hand	2700
To administration expenses	5200	By net loss	2000
To selling and distribution expenses	3800		
To interest on capital	1000		
To goodwill written off	1500		
	51000		51000

Cost A/C manual states that the factory overheads are to be recovered at 100% of direct wages. Administration overheads at 10% of works cost and selling and distribution overheads @ ₹1 per unit sold. The units of product sold and in hand were 4000 and 257 respectively.

Prepare

- 1) Statement of cost and profit as per cost A/C
- 2) Reconciliation statement

10. ABC Transport Company supplies the following details with respect of a truck of 5 tonne capacity:

Cost of truck	□900000
Estimated life	10 years
Diesel, oil, grease etc.	□150 per trip each way
Repairs and maintenance	□5000 per month
Cleaner's wages	□2500 per month
Driver's wages	□5000 per month
Insurance	□4800 per year
Tax	□2400 per year
General supervision charges	□4800 per year

The truck carries goods to and from city covering a distance of 50 miles each way. While going to the city freight is available to the extent of full capacity and on return 20% of capacity. Assuming that truck run on an average 25 days a month, work out

- i) Operating cost per tonne mile, and
- ii) Rate per trip that the company should charge if profit of 50% on freightage is to be earned.