



Time Allowed: 3 Hours

Full Marks: 100

The figures in the margin on the right side indicate full marks.

Where considered necessary, suitable assumptions may be made and clearly indicated in the answer.

Section - A (Compulsory)

1. Choose the correct alternative:

[15 × 2 = 30]

- (i) Which of the following is not a feature of Job Costing?
- a. Each job maintains its separate identity throughout the production stage
 - b. The job is meant for a mass market
 - c. Production pattern is not repetitive and continuous
 - d. Production begins only after getting order from the customer
- (ii) Cost of Sales = Cost of Production + _____.
- a. Selling and Distribution Overhead rate per unit
 - b. Factory Overhead Cost
 - c. Direct Labour
 - d. None of the above
- (iii) Charging to a cost centre those overheads that result solely for the existence of that cost centre is known as:
- a. Allocation
 - b. Apportionment
 - c. Absorption
 - d. Allotment
- (iv) P/V ratio will increase if:
- a. There is a decrease in fixed cost
 - b. There is an increase in fixed cost
 - c. There is a decrease in selling price per unit.
 - d. There is a decrease in variable cost per unit.
- (v) The following is not treated as a manufacturing overhead:
- a. Lubricants
 - b. Cotton waste
 - c. Apportioned administration overheads
 - d. Night shift allowance paid to a factory worker due to general work pressure.



COST ACCOUNTING

- (vi) Which of the following would not be used to estimate standard direct material prices?
- The availability of bulk purchase discounts
 - Purchase contracts already agreed
 - The forecast movement of prices in the market
 - Performance standards in operation
- (vii) The main purposes of accounting of joint products and by-products is to:
- Determine the replacement cost
 - Determine the opportunity cost
 - Determine profit or loss on each product line
 - None of the above
- (viii) A certain process needed standard labour of 24 skilled labour hours and 30 unskilled labour hours at ₹ 60 and ₹ 40 respectively as the standard labour rates. Actually, 20 and 25 labour hours were used at ₹ 50 and ₹ 50 respectively. Then, the labour mix variance will be:
- Adverse
 - Favourable
 - Zero
 - Favourable for skilled and unfavourable for unskilled
- (ix) 1200 units were introduced in a process in which 120 units is the normal loss. If the actual output is 900 units, then there is:
- No abnormal gain
 - Abnormal loss of 180 units
 - No abnormal loss
 - Abnormal gain of 180 units
- (x) Z Ltd. is planning to sell 1,00,000 units of product A for ₹ 12.00 per unit. The fixed costs are ₹ 2,80,000. In order to realize a profit of ₹ 2,00,000, what would the variable costs be?
- ₹4,80,000
 - ₹ 7,20,000
 - ₹ 9,00,000
 - ₹ 9,20,000
- (xi) A firm has fixed expenses ₹ 90,000, sales ₹ 3,00,000 and profit ₹ 60,000. The P/V ratio of the firm is:
- 10%
 - 20%
 - 30%
 - 50%



COST ACCOUNTING

- (xii) When costing loss is ₹ 5,600, administrative overhead under-absorbed being ₹ 600, the loss as per financial accounts should be _____ .
- ₹ 5,000
 - ₹ 5,600
 - ₹ 6,200
 - None of the above
- (xiii) At the economic ordering quantity level, the following is true:
- The ordering cost is minimum
 - The carrying cost is minimum
 - The ordering cost is equal to the carrying cost
 - The purchase price is minimum
- (xiv) A company has to pay a ₹ 1 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified in the company's accounts as a _____
- Direct expense
 - Production overhead
 - Administrative overhead
 - Selling overhead.
- (xv) If the time saved is less than 50% of the standard time, then the wages under Rowan and Halsey premium plan on comparison gives:
- Equal wages under two plans
 - More wages to workers under Halsey Plan than Rowan Plan
 - More wages to workers under Rowan Plan than Halsey Plan
 - None of the above.

Section - B

(Answer any five questions out of seven questions given. Each question carries 14 marks.)

2. (a) MNQ LLP submits the following information on 31st March 2023. Based on the given data, illustrate and prepare a statement of cost.

Details	(₹)
Sales for the year	2,75,000
Inventories at the beginning of the year: Finished goods	7,000
Work in Progress	4,000
Purchase of the material for the year	1,10,000
Material inventory: At the beginning of the year	3,000
At the end of the year	4,000
Direct Labour	65,000
Factory overhead: 60% of direct labour cost	



COST ACCOUNTING

Inventories at the end of the year: Finished goods	8,000
Work in Progress	6,000
Other expenses for year:	
Selling expenses - 10% of sales	
Administrative expense – 5% of sales	

[7]

- (b) The management of XYZ Ltd is worried about the increasing Labour Turnover in the factory and before analysing the causes and taking remedial steps; they want to have an idea of the profit foregone as a result of Labour Turnover during the last year. Last year's sales amounted to ₹83,03,300 and the profit / volume ratio was 20%. The total number of actual hours worked by the direct labour force was 4.45 lakhs. As a result of the delays by the personnel department in filling vacancies due to Labour Turnover, 1,00,000 potentially productive hours were lost. The actual direct labour hours included 30,000 hours attributable to training new recruits, out of which, half of the hours were unproductive. The cost incurred consequent on labour turnover revealed, on analysis the following: Settlement cost due to leaving: ₹43,820, recruitment costs: ₹26,740, selection costs: ₹12,750 and training costs: ₹30,490.

Assuming that the potential production lost as a consequence of Labour Turnover could have been sold at prevailing prices, compute the profit foregone last year on account of Labour Turnover. [7]

3. (a) The summary as per primary distribution is as follows:
Production departments A- ₹ 2,500; B- ₹ 2,300 & C- ₹ 1,700
Service departments X- ₹ 700; Y- ₹ 900

Expenses of service departments are distributed in the ratios of:

X department: A- 20%, B- 40%, C- 30% and Y- 10%

Y department: A- 40%, B- 20%, C- 20% and X- 20%

Prepare and show the distribution of service costs among A, B and C under repeated distribution method. [7]

- (b) The net profits of a manufacturing company appeared at ₹ 64,500 as per financial records for the year ended 31st December, 2022. The cost books however, showed a net profit of ₹ 86,460 for the same period. A careful scrutiny of the figures from both the sets of accounts revealed the following facts.

Particulars	(₹)
i. Income tax provided in financial books	20,000
ii. Bank Interest (Cr) in financial books	250
iii. Work overhead under recovered	1,550
iv. Depreciation charged in financial records	5,600
v. Depreciation recovered in cost	6,000
vi. Administrative overheads over-recovered	850
vii. Loss due to obsolescence charged in financial accounts	2,800
viii. Interest on investments not included in cost accounts	4,000



COST ACCOUNTING

ix. Stores adjustments (Credit in financial books)	240
x. Loss due to depreciation in stock value	3,350

Prepare Reconciliation Statement. [7]

4. (a) A transport service company is running five buses between two towns, which are 50 kilometers apart. Seating capacity of each bus is 50 passengers. The following particulars are obtained from their books for April 2022.

Particulars	Amounts
	₹
Wage of drivers, conductors and cleaners	2,40,000
Salaries of office staff	1,00,000
Diesel oil and other oil	3,50,000
Repairs and maintenance	80,000
Taxation, insurance etc.	1,60,000
Depreciation	2,60,000
Interest and other expenses	2,00,000
Total	13,90,000

Actually, passengers carried were 75% of seating capacity. All buses ran on all day of the month. Each bus made one round trip per day. Calculate out the cost per passenger kilo meter. [7]

- (b) A company produces a product 'M' by three distinct processes before it is ready for sale. From the information given below, work out the selling price of the product if the Management decides to earn a profit of 20% over its works cost. Prepare the Process A/c for each process.

	Particulars	Process		
		A	B	C
1	Input of raw materials @ ₹40 per kg. (kg)	10,000	-	-
2	Normal loss of input	5%	5%	5%
3	Delivered to next process (kg)	9,000	8,000	-
4	Total direct labour cost (₹)	15,000	15,750	13,000
5	Variable overhead (% of direct labour)	150%	120%	100%
6	Fixed overhead (% of direct labour)	250%	180%	200%
7	Finished stock held back (kg)	400	400	-

[7]

5. (a) CBA Ltd., manufactures certain grades of products known as M, B1 and B2. In course of manufacture of product M (main product), by-products - B1 and B2 emerge. The joint expenses of manufacture amount to ₹ 2,37,600.

All the three products are processed further after separation and sold as per details given below:



COST ACCOUNTING

Product – M

(By Products)

		Product – B1	Product – B2
Sales (₹)	2,00,000	1,20,000	80,000
Cost incurred after separation (₹)	20,000	15,000	10,000
Profit as percentage on sales	25	20	15

Total fixed selling expenses are 10% of total cost of sales which are apportioned to the three products in the ratio of 20:40:40.

Required:

- (i) Prepare a statement showing the apportionment of joint costs to the products (M, B1 and B2)
- (ii) If the product B1 (by product) is not subject to further processing and is sold at the point of separation, for which there is a market at ₹1,00,440 without incurring any selling expenses, would you advise its disposal at this stage? Show the workings. [7]

- (b) A manufacturing concern which has adopted standard costing furnishes the following information:

Standard

Material for 70 kg of finished product of 100 kg

Price of materials @ ₹ 1 per kg

Actual

Output 2,10,000 kg.

Material used 2,80,000 kg.

Cost of materials ₹ 2,52,000

Calculate:

- a. Material Cost Variance
- b. Material Price Variance
- c. Material Usage Variance [7]

6. The Dynamic company has three divisions. Each of which makes a different product. The budgeted data for the coming year are as follows:

Particulars	Division A (₹)	Division B (₹)	Division C (₹)
Sales	1,12,000	56,000	84,000
Direct Material	14,000	7,000	14,000
Direct Labour	5,600	7,000	22,400
Direct Expenses	14,000	7,000	28,000
Fixed Cost	28,000	14,000	28,000
Total Cost	61,600	35,000	92,400



COST ACCOUNTING

The management is considering to close down the Division C. There is no possibility of reducing fixed cost. Analyse whether or not Division C should be closed down. [14]

7. (a) You are required to prepare a Selling Overhead Budget from the estimates given below:

	Amount (₹)
Advertisement (Fixed)	1,000
Salaries of the Sales Department (Fixed)	1,000
Expenses of the Sales Department (Fixed)	750
Salesmen's Remuneration (Fixed)	3,000
Salesmen's Commission @ 1% on sales excluding Agent's Sales	
Carriage Outwards: Estimated @ 5% on sales	
Agent's Commission: 7½ % on Agent's sales	

The sales during the period were estimated as follows:

- (i) ₹ 80,000 including Agent's Sales ₹ 8,000
(ii) ₹ 90,000 including Agent's Sales ₹ 10,000
(iii) ₹ 1,00,000 including Agent's Sales ₹ 10,500 [7]

- (b) Describe the disclosures to be made as per CAS 3. [7]

8. Write short notes on the following: [4+5+5=14]

- (a) Importance and objectives of Cost Sheet
(b) Requisites of good Material Control System
(c) Items to be 'excluded' for the purpose of measuring Employee Cost.