2019

COST AND MANAGEMENT ACCOUNTING-I — HONOURS

First Paper

(CC 2.1 Ch)

Full Marks : 80

The figures in the margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Group - A

(Marks - 20)

1. What do you mean by the term 'Cost'? State how cost is classified behaviour-wise and element-wise. 2+3

Or,

State the essentials of a good cost accounting system. 5

2. (a) What do you mean by sunk cost?

(b) Mention the cost unit to be applicable against each of the following industries :

(i) Road transport

(ii) Nursing home

(iii) Sugar Industry

(iv) Electricity generation

(v) Cable industry

(vi) Gas.

2+3

3. From the following particulars calculate the machine hour rate for Machine No. 707 :

Total standing charges for the year	₹ 5,400
Cost of power per unit	₹ 1.20

The machine consumes 4 units of power per hour.

Machine No. 707 is expected to work 2,000 hours p.a. out of which normal idle time is estimated at 8% of total working hours and time for routine maintenance is estimated at 40 hours p.a. 5

Or,

What do you mean by under and over absorption of factory overhead? State any two methods of treatment of such under and over absorption in cost accounts. 5

4. The following particulars are available in respect of a contract as on 31.03.2019 :

	₹
Contract price	10,00,000
Total cost of contract till 31.03.2019	5,50,000
Cost of uncertified work	25,000
Cash received (retention money being 15%)	5,31,250

Compute the amount of profit that may be transferred to Profit & Loss Account and the value of Work-in-Progress. 5

Group - B

(Marks - 30)

5. (a) Discuss the concept of Economic Ordering Quantity.

(b) The following data are available in respect of a component used in a factory :

Annual Usage 2,000 units

Cost per unit ₹ 100

Ordering cost per order ₹ 400.

Carrying cost per unit per annum 10%

(i) Calculate EOQ and frequency of order per annum.

(ii) Evaluate the proposal of buying 1,000 units in a lot if discount @ 2% is available. 3+(3+4)

Or,

The particulars of receipts and issues of materials in a factory in March, 2019 are as under :

March	1	Opening balance	1000 kgs	@ ₹ 5 per kg.
	8	Purchased	2000 kgs	@ ₹ 6 per kg.
	17	Issued	1400 kgs	
	21	Purchased	1000 kgs	@ ₹ 7 per kg.
	30	Issued	2000 kgs	

Calculate the value of stock as on 31-03-2019 and the value of materials issued using LIFO method and Weighted Average method. (Preparation of stores Ledger Account is not mandatory). 10

6. In respect of the production department of a factory, following informations are available :

(i)	Total number of direct workers	10
(ii)	Hourly rate of wages (guaranteed)	₹ 2
(iii)	Number of working days in the month	25
(iv)	Number of working hours per day for each worker	8
(v)	Actual production during the month	1,000 units

In view of the increased demand for the product, the management proposes to introduce either Halsey (50% bonus) or Rowan Incentive Scheme of wage payment, whichever will yield maximum increase in earning, if the workers can increase productivity by at least 25%.

The workmen accepted the proposal and achieved the production of 1,300 units in the following month. You are required to :

(a) Calculate the effective rate of earnings per hour under Halsey Scheme and Rowan Scheme considering the time taken previously for producing 1 unit as time allowed.

(b) Calculate the savings to the management in terms of direct labour cost per unit under the schemes.

(c) Advise the management about the selection of the scheme to fulfill its assurance. 6+2+2

Or,

What is overtime premium? How can it be treated in cost accounts? Suggest two steps that can be taken to control overtime. 2+4+4

7. The cost book of R. Ltd. showed a net profit of ₹ 86,200 for the period 2018-19. A scrutiny of the figures from financial books and cost books revealed the following facts:

	(₹)
Works overhead under-recovered	1,560
Administration overhead over-recovered	850
Depreciation charged in : in financial accounts	5,600
: in cost accounts	6,250
Interest on investment not recorded in cost book	4,000
Income tax provided in financial accounts	20,150
Bank interest and transfer fees recorded only in financial books	375
Value of opening stock in : Cost accounts	24,800
: Financial accounts	26,300
Goodwill written off	5,000
Loss on sale of furniture	600

Prepare a statement showing the reconciliation between the profits as revealed by the two sets of books. 10

Group - C

(Marks - 30)

8. Ultra Ltd. supplies the following details in respect of a truck of 5-tonne capacity :

Cost of truck – ₹ 18,00,000; Estimated life – 10 years; Lubricant – ₹ 150 per trip each way; Repairs and maintenance – ₹ 10,000 p.m.; Driver's wage – ₹ 15,000 p.m.; Cleaner's wage – ₹ 5,000 p.m.; Insurance, tax and others – ₹ 1,20,000 p.a.

The truck gives an average of 10 kms per litre of diesel and cost of diesel is ₹ 65 per litre.

The truck carries goods to and from the city covering a distance of 50 kms each way.

On outward trip, freight is available to the extent of 80% capacity and on return 20% of capacity.

The truck runs on an average 25 days a month.

Calculate the operating cost per tonne-km and the rate per tonne-km that the company should charge if a profit of 50% on freightage is to be earned. 15

Or,

Product Z passes through two processes before it is transferred to finished stock. The following information is available :

	Process A (₹)	Process B (₹)	Finished Stock (₹)
Materials	80,000	–	–
Labour	1,04,000	1,80,000	–
Overhead	40,000	60,000	–
Closing stock at cost	32,000	80,000	60,000
Profit on transfer price	20%	20%	–

There is no stock at the beginning. Sales were ₹ 8,20,000.

Prepare Process accounts and the Finished Stock account. 15

9. From the following particulars relating to production and sales for the year ended 31.03.2019, prepare a statement showing cost and profit :

	₹	₹		₹	₹
Raw Materials (01.04.2018)		12,500	Direct Labour		1,35,000
W.I.P. (01.04.2018)			Office Expenses ₹ 2 p.u.		–
at Prime cost	15,000		Selling Expenses ₹ 1 p.u.		–
Factory Expenses	3,000		Distribution Expenses		15,000
		18,000	Sales (28,000 units)		4,00,000
Material purchased		1,10,000	Raw Materials (31.03.2019)		20,000
Freight on material		5,000	W.I.P. (31.03.2019)		
Loss of material by fire		5,000	at Prime Cost	10,000	
Factory expenses		70,000	Factory Expenses	8,000	
Chargeable expense		25,000			18,000

Stock of finished goods :

Date	Units	Value (₹)
01.04.2018	8,000	60,000
31.03.2019	10,000	?

Assume sales are made on FIFO basis. 15
