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Bachelor of Commerce 3rd Semester

(2123)

COST ACCOUNTING

Paper : BCM-302

Time Allowed : Three Hours]

[Maximum Marks : 80

Note :—(1) Attempt any **FOUR** Short Answer Type Questions from Section–A.

(2) Attempt **TWO** questions each from Section–B and C respectively.

SECTION—A

1. State and explain the main five differences between financial accounting and cost accounting.
2. Explain the advantages of Integral Accounting.
3. A company has three production departments and two service departments and for a period the departmental distribution summary has the following totals : P1- Rs. 800, P2- Rs. 700, P3 Rs. 500, S1-Rs. 234, S2-Rs. 300. The expenses of the service departments are charged out on a percentage basis as follows :

	P1	P2	P3	S1	S2
SD1 (%)	20	40	30	—	10
SD2 (%)	40	20	20	20	—

Prepare a statement showing the apportionment of two service department expenses to production department by Equation method.

4. Find out the all stock Level from the following particulars :

Minimum consumption 100 units per day, Maximum consumption 175 units per day, Normal consumption 125 units per day, ROQ 1500 units, Minimum ROP 7 day, Maximum ROP 15 days, Normal ROP 10 days.

5. From the following particulars you are required to prepare reconciliation statement :

Net loss as per cost accounts 344800, Net loss as per financial accounts 419390, works overhead under recovered in cost accounts 6240, Depreciation over charged in cost account 2600, Interest on Investment 17,500, Office overhead over recovered in cost account 2600, Goodwill written off 92,000, Stores adjustment credit in financial account 950.

6. Mr. Ram Gopal furnishes the following data relating to the manufacture of a standard product during the month of Oct. 2018.

Raw Materials Consumed Rs. 15,000, Direct Labour Cost Rs. 9,000, Machine Hours Worked 900, Machine hour rate Rs. 5, Administrative overhead 20% on work cost, Selling overheads 50 paise per unit, Units produced 17,100, Units sold 16000 @ 4 per unit. You are required to prepare Cost Sheet and find out profit for the period.

$$4 \times 5 = 20$$

SECTION—B

7. Cost Accounting system is neither Unnecessary nor Expensive rather it is a profitable Investment. Comment.
8. Explain with suitable examples the FIFO and LIFO methods of pricing the issue of materials. Which of these methods would you recommend and under what types of circumstances ?

9. The standard time allowed for the job is 50 hours. The hourly rate of guaranteed wages is Rs. 2.00. Because of saving in time a worker X gets an hourly wage of Rs. 2.50 under Rowan Premium bonus System. For the same saving in time, calculate the hourly rate of wages a worker X will get under Halsey Premium Bonus system.
10. M/s X Ltd. are manufacturers of Pictures tubes for T.V. Following are the details of their operation during 2017. Average Monthly Market Demand 2000 Tubes : Ordering cost 100 per order : Inventory carrying cost 20% per annum : Cost of Tube 500 per tube : Normal usage 100 Tubes per week : Minimum Usage 50 Tubes per week : Maximum Usage 200 Tubes per week : ROP 6 to 8 weeks : Compute from the above (1) EOQ and Total inventory cost (2). If the supplier is willing to supply quarterly 1,500 units at a discount of 5%, is it worth accepting ?
 $2 \times 15 = 30$

SECTION—C

11. What is meant by cost ledger accounts ? Briefly explain the various cost ledger accounts. Describe their advantages.
12. Why is it necessary to reconcile the profit shown by the cost accounts and financial accounts ? Explain the main sources of differences which would enter into such reconciliation.
13. A Machine shop of Avon LTD. has six identical machines manned by 6 operators. The machines cannot be worked without an operator wholly engaged on it. The cost of all these 6 machines including installation charges works out to Rs. 12,00,000 and these machines are deemed to have a scrap value of 10% at the end of its effective life 9 years. These particulars are furnished for a six months period :

Normal available hours per month 218, Absenteeism (without pay) hours 18, Leave (with pay) hours 20, Stoppage for repairs and maintenance hours 20, Average rate of wages per day of 8 hours Rs. 80, Production bonus estimated 15% on wages, value of power consumed Rs. 24,150, Supervision and indirect labour Rs. 9,900, Lighting Rs. 4,800. These particulars are for a year : Repair including consumable Rs. 36,000, Insurance Rs. 60,000, Other sundry works expenses Rs. 36,000, General expenses allocated Rs. 109040. Calculate Comprehensive Machine Hour rate for the machine shop.

14. A Manufacturing company has an installed capacity of 60,000 units per annum. The cost structure of the product Manufactured is as under :

- (1) Variable cost per unit (Rs.) Materials 3, Labour 2 (subject to minimum 6000 per month) Overheads 2.
- (2) Fixed overheads Rs. 1,00,000 per annum.
- (3) Semi variable overheads Rs. 40,000 per annum up to 50% capacity and an additional Rs. 10,000 for every 20% increase in capacity or part thereof.

Each unit of raw material yields scrap which is sold at the rate of 20 paise per unit. In 2022 the factory worked at 50% capacity for the first three months but it was expected that it would work at 80% capacity for the remaining nine months of the year. During the first three months the selling price per unit was Rs. 12. What should be the price for the remaining nine months to produce a total profits of Rs. 1,00,000 ? $2 \times 15 = 30$