

FOURTH SEMESTER B.COM DEGREE EXAMINATION
JULY 2013 (U.G. CCSS)
BC 4 B 05 - COST ACCOUNTING

Time: Three Hours

Maximum: 30 Weightage

PART I

I. Answer all nine questions. Each question carries a weightage of 1.

1. Define perpetual inventory system.
2. What is machine-hour rate?
3. What is escalation clause in contract costing?
4. Mention two advantages of LIFO method.
5. Define idle time.
6. What is labour rate variance?
7. What is zero base budgeting?
8. Define costing.
9. What do you mean by VED analysis? (9x1=9 weightage)

II. Answer any five questions. Each question carries a weightage of 2:

10. What are the different methods of calculating profit on incomplete contracts?
11. Explain the terms cost allocation and cost apportionment.
12. What is time keeping? What are the different methods of time keeping?
13. You are given the following information:
 Standard quantity for material 5 Kg.
 Standard price per kg. Rs. 15
 Actual production 400 units.
 Actual quantity of materials used: 2200 kg
 Actual price of materials: Rs. 14.40 per kg.
 Calculate:
 (a) Material cost variance
 (b) Material price variance
 (c) Material usage variance

14. From the following details you are required to calculate machine-hour rate:

- Cost of machine Rs. 16,000
- Estimated scrap value Rs. 1,000.
- Estimated life for machine 10,000 hours
- Working hours for a month 160 hours
- Repairs and maintenance charges for a month Rs. 120.
- Power used by machine at 85 paise per hour.
- Standard charges for a month Rs. 40.

15. Calculate the earnings of a worker under Halsey and Rowan plan from the following:

- Standard time : 20 hours
- Time taken : 16 hours
- Time rate : Rs. 20 per hour

16. Prepare Stores Ledger Account under LIFO from the following transactions:

- April 2012 : 1 Opening balance : 50 units at Rs. 10
- April 1 : Issued 30 units

- 2 : Received 60 units at Rs. 10.20
- 4 : Issued 25 units (stock verification reveals loss of one unit)
- 5 : Received back from orders: 10 units (previously issued Rs. 9.15 per unit)
- 6 : Issued 40 units
- 7 : Received 22 units at Rs. 10.30
- 8 : Issued 38 units

III. Answer any two. Each carries a weightage of 4:

17. A product passes through two processes X and Y and then to finished stock. In each process normally 5% of the total weight is lost and 10% is scrap which from process X and Y realises Rs. 80 per unit and Rs. 200 per unit respectively. The following are the details relating to the processes.

	Process X	Process Y
Units introduced	1000	70
Cost of materials per unit (Rs.)	125	200
Wages (Rs.)	28,000	10,000
Production overhead (Rs.)	8,000	5,250
Output units	830	780

Prepare Process Account.

18. A company is expecting to have Rs.25000 cash in hand on 1st January 2012 and it requires you to prepare cash budget during the three months January to March 2012. The following information is supplied to you:

	Sales	Purchases	Wages	Expenses
November 2011	70000	40000	8000	6000
December 2011	80000	50000	8000	7000
January 2012	92000	52000	9000	7000
February 2012	100000	60000	10000	8000
March 2012	120000	55000	12000	9000

Other information:

- (a) Period of credit allowed by suppliers two months.
 - (b) 25% of sales is for cash and the period of credit allowed to customers for credit sale one month.
 - (c) Delay in payment of wages and expenses one month.
 - (d) Income tax Rs. 25,000 is to be paid in March 2012.
- 19. State the important ways of classification of cost and discuss each of them in detail.**

Part II

Multiple Choice Questions:

1. The primary emphasis of cost is on the planning function of management.
 (a) Budgeted (b) Standard
 (c) Period (d) None of these
2. is the value of a benefit where no actual cost is incurred.

- (a) Imputed (b) Sunk
(c) Out of pocket (d) None of these
3. is the maximum possible alternative earning that might have been earned if the productive capacity is put to some alternative use.
(a) Opportunity (b) Incremental revenue
(c) Alternative revenue (d) None of these
4. An item of cost that is direct for one business may be for another business.
(a) Important (b) Direct
(c) Indirect (d) None of the above
5. forms part of cost of production.
(a) Abnormal waste (b) Normal waste
(c) Both (a) and (b) (d) None of these
6. Material losses due to abnormal reasons should be transferred to
(a) Profit and Loss account (b) Costing profit and loss account
(c) Trading Account (d) None of these
7. Defectives are that portion of production which can be at some extra cost of re-operation.
(a) Sold (b) Rectified
(c) Purchased (d) None of these
8. The requirements of a particular job are known as
(a) Job description (b) Job specifications
(c) Job evaluation (d) Both (a) and (b)
9. Credit and collection cost is an item of:
(a) Selling overhead (b) Office overhead
(c) Prime cost (d) Administrative overhead
10. Material costs of each job are determined from
(a) Material requisition notes (b) Bill of materials
(c) Both (a) and (b) (d) None of these
11. An automobile service unit uses costing.
(a) Specific order (b) Batch
(c) Job (d) Contract
12. Economics Batch quantity is an important point to be determined in industries where costing is employed.
(a) Job (b) Batch (c) Operation (d) Output
13. The budget relating to must be prepared first and the other budgets should be prepared in the light of that factor.
(a) Limiting factor (b) Materials
(c) Labour (d) Production
14. budget gives an estimate of the anticipated receipts and payments of cash during the budget period.
(a) Sales (b) Production
(c) Cash (d) Master
15. budget is designed to remain unchanged irrespective of the volume of output or turnover attained.
(a) Master (b) Fixed
(c) Flexible (d) All of these

16. budget gives different budgeted costs for different levels of activity.
- (a) Master (b) Fixed
(c) Flexible (d) All of these
17. Total labour cost variance =
- (a) Standard cost of labour - actual cost of labour
(b) Standard rate (standard time for actual output - actual time worked)
(c) Standard rate (standard time for actual output - actual time paid for)
(d) Actual time taken (standard rate - actual rate)
18. A favourable variance will arise when capital revenues are than expected.
- (a) More (b) Less
(c) Lesser (d) None of the above
19. The type of standard best suitable for cost control purpose is:
- (a) Basic standard (b) Ideal standard
(c) Normal standard (d) Expected standard
20. An unfavourable material usage arises because of :
- (a) Price increase in raw materials
(b) Price decrease in raw materials
(c) Less than anticipated normal wastage in the manufacturing process.
(d) More than anticipated normal wastage in the manufacturing process.