

## FOURTH SEMESTER B.Com. DEGREE EXAMINATION, APRIL 2016

(CUCBCSS—UG)

Core Course

BCM 4B 05—COST ACCOUNTING

Time : Three Hours

Maximum : 80 Marks

## Part A

*Answer all questions.  
Each question carries 1 mark.*

(A) Choose the correct answer :

- 1 Which method of inventory valuation does not follow 'consistency' principle of accounting ?
  - (a) FIFO.
  - (b) LIFO.
  - (c) Cost or market price, whichever is lower.
  - (d) None of the above.
- 2 Which of the following costing method is used in printing press ?
  - (a) Batch.
  - (b) Job.
  - (c) Process.
  - (d) Unit.
- 3 The purpose of cost accounting is :
  - (a) Reporting to external agencies.
  - (b) Earn abnormal profit.
  - (c) Cost control.
  - (d) None of these.
- 4 Idle time arises only when workers are paid only \_\_\_\_\_ basis
  - (a) Piece.
  - (b) Incentive.
  - (c) Time.
  - (d) Merit.
- 5 Abnormal effective in process costing means \_\_\_\_\_.
  - (a) Abnormal gain.
  - (b) Abnormal loss.
  - (c) Normal loss.
  - (d) Normal gain.

Turn over

(B) Fill in the blanks :

- 6 Incremental cost is a type of \_\_\_\_\_.
- 7 Zero base budget was first used by \_\_\_\_\_.
- 8 Stores ledger is a basic \_\_\_\_\_.
- 9 The difference between actual and recovered overhead is called \_\_\_\_\_.
- 10 Cost of \_\_\_\_\_ loss is not borne by goods in units.

(10 × 1 = 10 marks)

**Part B (Short Answer Questions)**

*Answer any eight questions.  
Each question carries 2 marks.*

- 11 Define direct costing.
- 12 What is sub-contract ?
- 13 What do you mean by labour productivity ?
- 14 What is a by-product ?
- 15 What do you mean by under absorption of overhead ?
- 16 What do you mean by standing charges ?
- 17 What is de-escalation clause in contract accounts ?
- 18 What is meant by zero base budgeting ?
- 19 What is unit costing ?
- 20 What is meant by indirect labour ?

(8 × 2 = 16 marks)

**Part C (Short Essay Questions)**

*Answer any six questions.  
Each question carries 4 marks.*

- 21 Explain the advantages of an effective materials control system.
- 22 Distinguish between Financial Accounting and Cost Accounting.
- 23 What is cash budget ? What are its advantages ?
- 24 What is an overhead ? Distinguish between allocation and absorption of overheads ?
- 25 In process A - 200 units of raw materials were introduced at a cost of Rs. 2,000. The other expenditure incurred by the process was Rs. 1,500. Of the units introduced 20 % are normally lost in the course of manufacture and they possess a scrap value of Rs. 6 each. The output of process A was only 150 units. Prepare Process A account and Abnormal Loss account.

26. Rate per hour- Rs. 3 per hour

Time allowed for job- 20 hours

Time taken-15 hours.

Calculate total earnings of the worker under the Halsey Premium Plan. Also calculate the effective rate of wages.

27. Calculate the reordering level of a firm, information regarding whose materials being used are as under :

(i) Minimum limit 1000 units.      (ii) Maximum limit 500 units.

(iii) Daily requirement 200 units.

Time required for fresh delivery 10 days.

28. A company has three production departments namely A, B and C and two service departments X and Y. The expenses incurred to these departments on 31<sup>st</sup> March 2009 were as follows :

| Production Departments |        |        |
|------------------------|--------|--------|
| A                      | B      | C      |
| 52,000                 | 47,000 | 41,500 |
| Service Department     |        |        |
| X                      | Y      |        |
| 18,000                 | 22,000 |        |

The company decided to apportion the service department costs on the following percentages :—

| Department | A    | B    | C    | X    | Y    |
|------------|------|------|------|------|------|
| X          | 35 % | 25 % | 30 % | —    | 10 % |
| Y          | 40%  | 30 % | 10 % | 20 % | —    |

Find the total overheads of production departments using Simultaneous equation method ?

(6 × 4 = 24 marks)

#### Part D (Essay Questions)

Answer any **two** questions.  
Each question carries 15 marks.

29. Define Costing. Explain different methods and techniques of costing.
30. Malabar builders started a contract on 1<sup>st</sup> January, 2013. Following was the expenditure on the contract for Rs. 3,00,000 :

Materials issued to contract Rs. 51,000 ; plant used for contract Rs. 15,000 ; wages incurred Rs. 81,000 ; other expenses incurred Rs. 5,000.

Turn over

Cash received amounted to Rs. 1, 28,000 being 80 % of the work certified. Of the plant and materials charged to the contract, plant which cost Rs. 3, 000 and materials which cost Rs. 2,500 were lost. On 31<sup>st</sup> December, 2013 plant which cost Rs. 2,000 was returned to store, the cost of work done but uncertified was Rs. 1,000 and materials costing Rs. 2,300 were in hand on site.

Charge 15 % depreciation on plant, and take to the profit and loss account 2/3 of the profit received. Prepare the Contract account, Contractee's account and balance sheet from the above particulars.

31. Mithra Ltd. furnishes the following details :

|  |                        |
|--|------------------------|
| Cost of Machine                                      | — Rs. 10,000           |
| Estimated life                                       | — 10 years             |
| Scrap value  | — Rs. 1,000            |
| Expected working time<br>(50 weeks of 44 hours each) | — 2200 hours.          |
| Machine maintenance                                  | — 200 hours per annum. |
| Chemical required weekly                             | — Rs. 20               |
| Maintenance cost per year                            | — Rs. 1,200            |

Electricity 16 units per hour at 10 paise per unit

Departmental overhead allocated to this machine — Rs. 2,000 per annum.

Setting up time estimated at 5 % of the total production time and is regarded as unproductive time. Two attendants control the operations of the machine together with 6 machines. (With salary of Rs. 1,200 each per year)

Calculate Machine Hour Rate.

(2 × 15 = 30 marks)

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