

# Cost Accounting

SYBAF  
Sem. III  
Oct-2018

Duration : 2 ½ hours

Max. Marks : 75

**Note:** All questions are compulsory.  
All questions carry 15 marks.  
Figures to the right indicate full marks.  
Use Simple Calculator.  
Working should form part of answer.

**Q1 (A) Fill in the blanks with the correct alternative and rewrite**  
(Any 8 out of 10)

8 marks

1. Prime Cost is also known as \_\_\_\_\_ cost. (Direct / Indirect / Works)
2. Abnormal gain is excess of actual output over \_\_\_\_\_ output. (standard/normal)
3. Construction companies follow \_\_\_\_\_ costing. (Process / Contract)
4. \_\_\_\_\_ expenses are ignored while making Cost Sheet. (Selling / Financing)
5. \_\_\_\_\_ for joint product means apportionment of joint cost to each of the joint products. (Accounting / Allocation)
6. Dividend received is shown in \_\_\_\_\_ a/c (Cost / Financial)
7. \_\_\_\_\_ expense is an example of Selling Overheads. (Rent / Advertisement)
8. \_\_\_\_\_ is valued in terms of cost. (Work uncertified / Work certified)
9. Process Cost per unit = (Process Cost - Scrap Value of Normal Loss) ÷ \_\_\_\_\_ (Actual Output / Normal Output)
10. Cost of Secondary Packing Material is treated as \_\_\_\_\_. (Direct Cost / Selling Overhead)

**Q1 (B) State whether following statements are True or False and rewrite the sentences**  
(Any 7 out of 10)

7 Marks

1. Cost of Production = Works Cost + Administrative Overheads
2. Notional Rent is shown in Cost Accounts.
3. Need for reconciliation arises because of difference in valuation of stocks in cost and financial accounts.
4. In process costing, Abnormal gain is not valued at process cost per unit.
5. Under physical unit method of apportionment of joint cost, joint cost is divided by total units of joint products produced.
6. Joint costs refer to the total costs incurred after the Split Off Point.
7. While making Estimated Cost Sheet, Administrative Overheads can be recovered as a percentage of Works Cost.
8. If contract is 80 % complete, then 1/3<sup>rd</sup> of Notional Profit is transferred to P&L a/c.
9. If cash received is Rs. 10,00,000 being 50% of Work Certified, then value of work certifies is Rs. 15,00,000.
10. A contract is a big job involving small outlay of expenditure.

Q2 (A)

15 marks

Followings details are furnished by MBA LTD. of expenses incurred during the year ended 31<sup>st</sup> March 2018.

Particulars	Amount
Direct Material ( Units .....?)	3,50,000
Opening stock of Finished goods (1000 units)	85,000
Closing stock of Finished goods (2000 units)	?
Depreciation on Plant and Machinery	95,000
Trade Fair express	85,000
Direct expenses	1,60,000
General Manager's Salary	3,50,000
Dividend paid	8,000
Direct Wages	2,50,000
Advertisement	1,85,000
Depreciation on Office Computers	1,70,000
Depreciation on Delivery Van	1,10,000
Office Maintenance Charges	1,80,000
Factory rent	1,50,000
Sales (19000 units)	22,80,000

Closing stock of finished goods to be valued at cost of production.

You are required to prepare cost sheet showing various elements of cost both in total and per unit and also find out total profit and per unit profit.

OR

Q 2 (B)

8+7 = 15 marks

From the following particulars, you are required to prepare Cost Sheet

Particulars	Amount
Opening stock of Direct Materials	61,700
Work in Progress at commencement	1,21,700
Purchase of Direct Materials	2,86,500
Direct Wages	3,57,000
Factory on cost	1,99,500
Selling on cost	70,000
Management on cost	1,10,000
Sales	12,50,000
Closing stock of Direct materials	75,400
Closing work-in-progress	1,35,600

(ii) From the following information you are required to prepare a statement reconciling the results of cost books:

Particulars	Amount
Net Profit as per financials books	51,052
Work overheads under recovery in cost books	1,001
Depreciation charged in financial books	13,000
Depreciation charged in Cost books	14,326
Obsolescence loss charged in Financial books only	2,021
Income tax provided in financial books only	2,626
Interest received but not recorded in Cost Book	3,031
Bank interest debited in financial books only	292

Q 3 (A)

15 marks

The following is the summary of the entries in a contract ledger as on 31<sup>st</sup> December, 2017 in respect of Contract No. 51:

Particulars	Rs.
Material (Direct)	60,000
Materials (from stores)	13,000
Wages	34,600
Direct Expenses	13,400
Establishment charges	16,000
Plant	68,400
Sale of scrap	3,640

You are given the following information:

Accruals on 31-12-2017 are: Wages Rs. 1,600 and Direct Expenses Rs. 2,200

Depreciation on plant up to 31-12-2017 is Rs. 17,100

Work Uncertified was Rs. 9,000

Materials on site on 31-12-2017 cost Rs. 20,000

Work certified was Rs. 1,25,000

Prepare contract account no. 51 and show that profit & loss should be taken into account for the year ended 31<sup>st</sup> December 2017.

OR

Q 3 (B)

15 marks

The following is the summary of the entries in a Contract Ledger as on 31<sup>st</sup> December 2017 in respect of Contract No. 535.

Particulars	Rs.
Material bought directly	65,000
Materials from store	5,000
Wages	30,000
Direct expenses	13,000
Establishment charges (apportioned)	15,000
Common plant sent to site	50,000
Scrap sold	2,000

The further information is as follows:

Accruals on 31<sup>st</sup> December 2017 were wages Rs. 1,000 and direct expenses Rs. 3,000

The cost of work uncertified was Rs. 8,000

Rs. 4,000 worth of materials were destroyed by fire.

Materials costing Rs. 3,000 were sold for Rs. 4,000.

Depreciation till 31-12-2017 on plant was Rs. 12,000

Materials at site were Rs. 6,000

Cash received from the Contractee was Rs. 1,40,000 being 80% of work certified.

Contract price was Rs. 2,50,000.

Transfer 2/3<sup>rd</sup> profit on cash basis to P&L A/c.

Prepare Contract Account.

Q 4 (A)

15 marks

In a factory the product passes through 2 process, A and B. A weight loss of 5% is allowed in process A and 2% in process B, nothing being realized by disposal of the wastage. During April 2017, 10,000 units of material costing Rs. 6 per unit were introduced in Process A. The other costs were as follows:

Particulars	Process A (Rs.)	Process B (Rs.)
Materials	-	-
Labour	10,000	12,000
Overheads	6,000	4,600

Abnormal loss is sold at Rs. 10 per unit. The output was 9,400 units from the process which was transferred to Process B. 9,200 units were produced by Process B, which were transferred to the warehouse. Prepare Process Accounts A and B, assuming there were no opening stocks of any type. Also prepare Normal Loss a/c and Abnormal Loss a/c.

OR

Q 4 (B)

15 marks

A product passes through 3 process and 40,000 units were introduced in Process A at cost of Rs. 30,000. The following further information is available:

Particulars	Process A	Process B	Process C
Sundry Materials	20,000	4,000	2,000
Direct Labour	6,000	3,000	1,500
Direct Expenses	1,920	5,600	4,200
Output (Units)	38,000	37,000	34,000
Opening Stock (Units)	6,000	3,000	4,000
Closing Stock (Units)	4,000	5,000	9,500
Opening Stock Valuation (Per unit)	1.40	1.80	2.50
% of Normal wastages	4%	5%	10%
Scrap Sales price (Per unit)	0.20	0.30	0.40

The closing stock in each process is valued at respective process cost.

Prepare Process A, B and C Accounts and Process A, B and C Stock Accounts.

Q 5 (a) Explain advantages and disadvantages of Process Costing.

8 marks

Q 5 (b) Explain meaning and utility of Cost Sheet.

7 marks

OR

Q 5 (c) Write short notes (Any three)

3\*5 = 15 marks

- Explain classification of cost on the basis of elements.
- Explain need for reconciliation between cost a/c and financial a/c.
- Explain advantages of contract costing.
- Explain applicability of process costing.
- Explain the concept of work certified and work uncertified.

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