

2019

BUSINESS ADMINISTRATION — HONOURS

Twelfth Paper

Group - A

(Cost Accounting)

Full Marks : 50

The figures in the margin indicate full marks.

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

Answer **question no. 1** and **any three** questions from the rest.

1. (a) State whether the following statements are true or false (**any ten**) :

- (i) Batch Costing Method would be most suitable for Toy making and Readymade Garments.
- (ii) For Airline industry, the cost unit used is number of passengers.
- (iii) Variable cost per unit varies with the volume of output.
- (iv) Fixed cost per unit is fixed.
- (v) A good cost accounting system is unnecessary to a small concern.
- (vi) Contract costing is a variant of job costing.
- (vii) Explicit cost are notional costs not recorded in cost accounts but are estimated for proper evaluation of projects.
- (viii) Salaries and Rent are examples of implicit cost.
- (ix) Sunk cost is a historical cost that has already been written off after being incurred.
- (x) Cost control accounts are prepared on the basis of double entry system.
- (xi) Primary packaging cost is included in distribution cost.
- (xii) Cash discounts are generally excluded completely from the costs.
- (xiii) Under-absorption of overhead means that actual overhead are more than absorbed overhead.

(b) Lindwal Ltd. has two service departments X and Y and three production departments A, B and C. From the following information prepare a secondary distribution summary.

	X	Y	A	B	C
Total as per primary distribution	3,000	3,600	12,000	6,000	4,500
Service rendered by :					
	X	15%	25%	10%	50%
	Y	—	30%	40%	30%

2. The accounts of the Steelways Engineering Company Ltd. shows for 2018 :

Materials used	₹ 1,80,000
Manual and machine labour wages directly chargeable	₹ 1,60,000
Works overhead expenditure	₹ 40,000
Establishment and general expenses	₹ 19,000

(a) Show the works cost and total cost, the percentage that the works overhead cost bears to the manual and machine labour wages and the percentage that the establishment and general expenses bears to the works cost.

(b) A company owns a number of taxis and the following information is available from the records maintained by the company :

- (i) Number of taxi 10
- (ii) Cost of each taxi ₹ 20,000
- (iii) Salary of manager ₹ 600 per month
- (iv) Salary of accountant ₹ 500 per month
- (v) Salary of cleaner ₹ 200 per month
- (vi) Salary of Mechanic ₹ 400 per month
- (vii) Garage Rent ₹ 600 per month
- (viii) Insurance Premium ₹ 5% per annum
- (ix) Annual Tax ₹ 600 per taxi
- (x) Driver's salary ₹ 200 per month per taxi
- (xi) Annual Repair ₹ 1000 per taxi

Total service life of a taxi is about 2,00,000 km. A taxi runs in all 3,000 km. in a month of which 30% it runs empty. Petrol consumption is one litre for 10 km. @ ₹ 2 per litre. Oil and other sundries are ₹ 5 per 100 km.

Calculate the cost of running a taxi per km.

4+8

3. A company manufacturing two products, furnishes the following data for a year :

Products	Annual Output (units)	Total Machine hours	Total number of orders	Total number of set-ups
A	5,000	20,000	160	20
B	60,000	1,20,000	384	44

The annual overheads are as under :

Volume-related activity costs	₹ 5,50,000
Set-up related costs	₹ 8,20,000
Purchase-related costs	₹ 6,18,000

You are required to —

- (i) Calculate the cost per unit of each product based on traditional method of charging overheads;
- (ii) Calculate cost per unit of each product based on activity-based costing method.

4. The following are the particulars of A Ltd. which produces an item and passes through two processes before it can be sold. In July, 2018, the relevant data were :

	<i>Process I</i>	<i>Process II</i>
Basic material input (5000 units)	₹ 15,000	
Process material added		₹ 4,080
Direct labour	₹ 17,050	₹ 15,840
Direct expense	₹ 11,950	₹ 9,330
Output (units)	₹ 4,500	₹ 4,000
Normal loss as a percentage of input	₹ 15	₹ 10
Scrap value of each cost unit	₹ 2	₹ 3

There was no stock at the start or at the end of either process.

You are required to prepare Process I A/c, Process II A/c, Normal Loss Account, Abnormal Gain Account and Abnormal Loss Account.

3+3+2+2+2

5. (a) Define Escalation Clause.

- (b) The following are the particulars in respect of contract no. B83 for the year ended 31.03.18.
Prepare contract Account.

	₹
Material sent to site	1,50,000
Wages paid	1,80,000
Wages unpaid	3,000
Other expenses	26,000
Plant sent to site	2,00,000
Materials returned to stores	5,000
Materials lying unconsumed	8,000
Materials stolen from site	10,000
Insurance claim admitted for materials stolen	7,000
Work Uncertified	11,000
Cash Received	3,60,000

Plant is subject to depreciation @ 7½% p.a and cash has been received to the extent of 90% of work certified.

2+10

6. Write short notes on (*any three*) :

4×3

- How profit is computed in case of incomplete contract?
- Importance of reconciliation between Cost Accounting Profit and Financial Accounting Profit;
- Inter-Process Profit;
- Integrated Cost Accounting System.
- Cost-Ledger-Control Accounts.