

**5/H-76 (xii) (Syllabus-2015)**

**Odd Semester, 2020**

( Held in March, 2021 )

COMMERCE

( Honours )

( BC-502 )

**( Cost Accounting )**

Marks : 75

Time : 3 hours

*The figures in the margin indicate full marks  
for the questions*

1. Why is Cost Accounting necessary? Mention steps which should be taken to instal Cost Accounting System. 6+9=15

Or

Zebra Company is able to obtain quantity discounts on its orders of materials as follows :

| Price per Tonnes<br>(in ₹) | Tonnes                    |
|----------------------------|---------------------------|
| 6.00                       | Less than 250             |
| 5.90                       | 250 and less than 800     |
| 5.80                       | 800 and less than 2,000   |
| 5.70                       | 2,000 and less than 4,000 |
| 5.60                       | 4,000 and above           |

The annual demand for the material is 4,000 tonnes. Stock holding costs are 20% of material cost per annum. The delivery cost per order is ₹ 6. You are required to calculate best quantity to order. 15

2. (a) Compute the machine hour rate from the following data : 5
- (i) Cost of machine—₹ 1,00,000
  - (ii) Installation charges—₹ 10,000
  - (iii) Estimated scrap-value after expiry of its life (15 years)—₹ 5,000
  - (iv) Rent and rates for the shop per month—₹ 200
  - (v) General lighting per month—₹ 300
  - (vi) Insurance premium per machine per annum—₹ 960
  - (vii) Repairs and maintenance expenses per annum—₹ 1,000
  - (viii) Power consumption—  
10 units per hour
  - (ix) Rate per 100 units—₹ 20
  - (x) Shop supervisor's salary per month—₹ 6,000
  - (xi) Estimated working hour per annum 2200. This include setting up time of 200 hours
  - (xii) The machine occupies 1/4th of the total area of the shop. The supervisor is expected to devote 1/5th of his time for supervising the machine.

( 3 )

- (b) Define fixed, variable and semi-variable overheads. 10

Or

Define labour turnover. How is it measured? What are its causes? State the effect of High Labour Turnover. How can you control excess Labour Turnover? 2+3+4+3+3=15

3. The books and records of B Ltd present the following data for the month of March' 20 :

Direct labour cost ₹ 16,000 (160% of factory overhead), Cost of goods sold ₹ 56,000, Inventory accounts showed the following :

|                  | March 1st | March 31st |
|------------------|-----------|------------|
|                  | ₹         | ₹          |
| Raw materials    | 8,000     | 8,600      |
| Work-in-progress | 8,000     | 12,000     |
| Finished goods   | 14,000    | 18,000     |

Selling expenses ₹ 3,400, general and administration expenses ₹ 2,600, sales for the month ₹ 75,000.

Prepare cost sheet. 15

Or

Product A is obtained after it passes through three distinct processes. Following information is obtained from the accounts for the month ending 31st March, 2020 :

| Items     | Process |       |       |
|-----------|---------|-------|-------|
|           | I       | II    | III   |
| Materials | 2,600   | 1,980 | 2,962 |
| Wages     | 2,000   | 3,000 | 4,000 |

Overhead (100%) of Direct wages.

1000 units @ ₹ 3 each were introduced to process I. There is no work-in-progress at the beginning and end of the period. The output of each process passes direct to the next process and finally to finished stores.

|                                    | <i>Process-I</i> | <i>Process-II</i> | <i>Process-III</i> |
|------------------------------------|------------------|-------------------|--------------------|
| % of Normal Loss to input          | 5%               | 10%               | 15%                |
| Output (in units) during the month | 950              | 840               | 750                |
| Value of scrap per Unit (₹)        | 2                | 4                 | 5                  |

Prepare process cost accounts and other relevant accounts. 15

4. (a) Distinguish Marginal Costing and Differential Costing. 5

(b) Two businesses X Ltd. and Y Ltd. manufacture and sell the same type of product in the same type of market. The budget Profit and Loss A/c for the coming year are :

|                      | X Ltd. | Y Ltd. |
|----------------------|--------|--------|
| Sales                | 30,000 | 30,000 |
| Less : Variable cost | 24,000 | 20,000 |
| Fixed cost           | 3,000  | 7,000  |
|                      | 27,000 | 27,000 |
| Estimated Profit     | 3,000  | 3,000  |

You are required to—

- (i) calculate the BEP and M/S of each business;
- (ii) state which of the business is likely to earn (1) heavy demand for the product and (2) low demand for the product;
- (iii) calculate the percentage increase in sales in both the cases to absorb a 50% increase in fixed overhead in both the cases. 10

Or

- (a) A product is sold at ₹ 100 per unit. Unit variable cost is ₹ 70 and fixed cost amounts to ₹ 24 lakhs per annum. You are required to calculate the following treating each independent of the other : 2×5=10

- (i) P/V ratio
- (ii) New Break-even-sales if variable cost increases by ₹ 6 per unit, without increasing the selling price.
- (iii) Increase in sales if profits are to be increased by ₹ 4.8 lakhs.
- (iv) Percentage increase/decrease in sales volume (units) to off-set :
  - 1. An increase of ₹ 6 in the variable cost per unit
  - 2. 10% increase in selling price without affecting existing profit

(b) What is Marginal Costing? State its advantages. 2+3=5

5. The standard cost of a chemical mixture is as under :

8 tons of material A at ₹ 40 per ton, 12 tons of material B at ₹ 60 per ton. Standard yield is 90% of input.

Actual cost for the period is as under :

10 tons of material A at ₹ 30 per ton, 20 tons of material B at ₹ 68 per ton. Actual yield is 26.5 tons.

Calculate (a) material cost variance (b) material usage variance (c) material price variance and (d) material yield variance. 15

Or

(a) Briefly explain different types of budgets. 10

(b) Explain briefly the significance of standard costing as a technique of cost control. 5

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