NEW SYLLABUS

322

Roll No…………………

Time allowed : 3 hours | *Maximum marks : 100*

Total number of questions : 6 | *Total number of printed pages : 6*

NOTE : *1. Answer **ALL** Questions.*

2. All working notes should be shown distinctly.

1. Answer the following :

(a) "Limitations of financial accounting have made the management to realise the importance of cost accounting." Comment.

(b) State the rules regarding transfer of profits to profit and loss account in case of incomplete contracts.

(c) What is 'integrated accounting' system ? State its advantages.

(d) Write a note on social purposes of cost audit.

(5 marks each)

Attempt all parts of either Q.No. 2 or Q.No. 2A

2. Attempt the following :

(a) Distinguish between 'normal losses' and 'abnormal losses' in relation to process costing.

(b) Distinguish between 'traditional absorption costing' and 'activity based costing'.

(c) A manufacturing company has three production departments and two service departments. Given below are the production overheads as per the primary overheads distribution summary in respect of each department :

Production Department		Service Department	
A	` 7,810	P	` 4,000
B	` 12,543	Q	` 2,600
C	` 4,547		

Service department overheads are proposed to be charged to production departments on the following basis :

	A	B	C	P	Q
Service Department P	30%	40%	20%	-	10%
Service Department Q	10%	20%	50%	20%	-

You are required to prepare a secondary overheads distribution summary using simultaneous equation method.

(d) The cost of manufacturing 5,000 units of a commodity comprises :

	`
Materials	20,000
Wages	25,000
Chargeable expenses	400
Fixed factory overheads	16,000
Variable factory overheads	4,000

For manufacturing every 1,000 extra units of the commodity, the cost of production increases as follows:

Materials	: Proportionately
Wages	: 10% less than proportionately
Chargeable expenses	: No extra cost whatsoever
Fixed factory overheads	: ` 200 extra
Variable factory overheads	: 25% less than proportionately

Calculate the estimated cost of producing 8,000 units of the commodity and show by how much it would differ if a flat rate of factory overheads based on wages were charged.

(4 marks each)

***OR** (Alternate question to Q.No.2)*

2A. (i) Distinguish between 'absorption costing' and 'marginal costing'.

(ii) Distinguish between 'job costing' and 'contract costing'.

(iii) Compute the machine hour rate of a machine from the following information :

	`
Cost of the machine	18,000
Cost of installation	2,000
Scrap value after 10 years	2,000
Rates and rent for a quarter for the shop	600
General lighting	200 p.m.
Shop supervisors salary	6,000 per quarter
Insurance premium for a machine	120 p.a.
Estimated repairs	200 p.a.

Power 2 units per hour @ ` 150 per 100 units

Estimated working hours p.a. are 2,000.

The machine occupies $1/4^{th}$ of the total area of the shop. The supervisor is expected to devote $1/6^{th}$ of his time for supervising the machine. General lighting expenses are to be apportioned on the basis of floor area.

(iv) From the following details, you are required to ascertain the equivalent production using (i) First in first out (FIFO) method; and (ii) Average cost method :

Opening work-in-progress	5,000 units
Degree of completion :	
Materials	80%
Labour	60%
Overheads	60%
Units introduced into the process	20,000 units
Closing work-in-progress	7,500 units
Degree of completion :	
Materials	80%
Labour	60%
Overheads	60%

Assume that there is no process losses.

(4 marks each)

(Attempt all parts of either Q.No. 3 or Q.No. 3A

3. (a) What remedial measures would you suggest to minimize the labour turnover ?

(b) What is a 'cost plus contract'? What are its disadvantages ?

(c) During the first 48 hour week of April, the workman Kallu produced 300 units of a product. He receives wages on the basis of piecework with guaranteed wage for the week at the rate of ` 40 per hour. Piece rate is `8.00 per unit. The estimated time to produce one unit is 15 minutes and under incentive scheme the time allowed is decreased by 20%.
Calculate his gross wages according to :
(i) Rowan premium bonus; and
(ii) Halsey premium bonus 50% to workman.

(d) The profit as per cost accounts of a manufacturing company for the year ended 31st March 2013 was `2,50,000. The following details were ascertained on comparison of cost and financial accounts.

	Cost Accounts *( )*	*Financial Accounts* *( )*
Stock as on 01.04.2012		
– Raw materials	20,000	25,000
– Finished goods	28,000	26,000
Stocks as on 31.03.2013		
– Raw materials	17,000	18,000
– Finished goods	25,000	22,000
Interest charged (cost accounts only)	16,000	—
Preliminary expenses written off (in financial books)	—	1,500
Goodwill written off (in financial books)	—	2,500
Dividend on shares received(in financial books)	—	4,000
Indirect expenses charged	78,000	86,000

Find out the financial profit by preparing a reconciliation statement.

(4 marks each)

OR (Alternate question to Q.No.3)

3A. (i) Explain ABC analysis and Economic Order Quantity (EOQ) techniques of inventory control.

(ii) What is 'margin of safety' ? How can it be improved ?

(iii) The following data is obtained from the books of a company :

Normal overheads rate	` 3.00
Actual hours operated	20,000
Allowed hours for actual production	21,000
Allowed overheads for budgeted hours	`70,000
Actual overheads	`72,000

Calculate :
(a) Overheads budget variance
(b) Overheads volume variance
(c) Overheads efficiency variance and
(d) Overheads capacity variance.

(iv) Reliable petroleum's periodic inventory of petrol on hand is taken when the books are closed at the end of each month. The following summary of information is available for the month :

Sales	`9,45,000
General administrative cost	` 25,000
Opening stock- 1,00,000 liters @ ` 3 per litre	`3,00,000

Purchases (including freight) :

1st March : 2,00,000 liters @ ` 2.85 per litre

31st March : 1,00,000 liters @ ` 3.03 per litre

31st March : closing stock 1,30,000 litres

Compute the following by using First In First Out (FIFO) and weighted average method :

(a) Value of inventory on 31st March.

(b) Amount of the cost of goods sold.

(c) Profit or loss for the month of March.

(4 marks each)

4. (a) Why the flexible budgets are considered superior to the fixed budgets ?

(4 marks)

(b) From the following information, compute (i) Material cost variance; (ii) Material price variance; and (iii) Material usage variance.

Quantity of material purchased	3,000 units
Value of materials purchased	` 9,000
Standard quantity of material required per ton of output	30 units
Standard rate of material per unit	` 2.50
Opening stock of material	Nil
Closing stock of material	500 units
Output during the period	80 tons

(4 marks)

(a) Suresh owns a fleet of taxis and the following information is obtained from the records maintained by him :

Number of taxis	10
Cost of each taxi	` 5,00,000
Salary of the manager	` 15,000 p.m.
Salary of the accountant	` 12,500 p.m.
Salary of the cleaner	` 5,000 p.m.
Salary of the mechanic	` 10,000 p.m.
Garage rent	` 15,000 p.m.
Insurance premium	5% p.a.
Annual tax	` 15,000 per taxi
Driver's salary	` 5,000 p.m. per taxi
Annual repairs	` 25,000 per taxi

Total life of the taxi is about 2,00,000 Kms. A taxi runs in all 3,000 Kms. in a month of which 30% it runs empty. Petrol consumption is one litre for 10 Kms. @ ` 65 per litre. Oil and other sundries are `125 per 100 Kms. Calculate the cost of running a taxi per Km.

(8 marks)

5. (a) A contractor, who prepares his account on 31st December every year, commenced a contract on 1st April, 2013. The costing records relating to the said contract reveal the following information on 31st December, 2013.

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Material charged to site	1,58,500
Direct labour	2,60,500
Salary of accountant	79,500

Plant costing `1,60,000 has been on site for 73 days. Its working life is estimated at five years and the final scrap value at `15,000. A supervisor, who is paid `20,000 p.m., has devoted approximately one fourth of his time to this contract. The administrative and other expenses amounted to `1,00,000.

Material in hand at the site on 31.12.2013 costs `15,400. Some of the material costing `4,500 was found unsuitable and was sold for `4,000 and part of the plant costing `5,500 (on 31.12.2013) unsuited to the contract was sold at a profit of `2,000.

The contract price was `15,00,000. On 31.12.2013, two-third of the contract was completed but architect's certificate has been issued covering 50% of the contract price. The contractee has paid `6,00,000 so far on account.

Prepare contract account and show how these accounts would appear in the balance Sheet as on 31.12.2013.

(8 marks)

(b) X Ltd., owns two factories, one at Noida and the other at Haridwar. Both factories produce same product with the same selling price of `200 per unit. The following are the other cost details :

	Noida Factory	*Haridwar Factory*
Capacity (*units*)	20,000	30,000
Fixed cost	`14,00,000	`4,00,000
Variable cost per unit	`120	`160

Determine BEP for the company as a whole assuming :

(i) Constant sales-mix in the ratio of capacities of the plants.

(ii) Variable sales mix producing from more-profitable plant first.

(8 marks)

6. (a) Sunrise Ltd. reported profit after tax of ` 38 lakhs for the year 2011. The company's share capital consists of 2.5 lakhs shares of face value of ` 10 each. The company declared a dividend at 50% for the year. The current market price of the share of the company is ` 210. You are required to calculate :

(i) Price-earnings ratio

(ii) Dividend payout ratio

(iii) Dividend yield ratio

(4 marks)

(b) The following are the balance sheets of a company for the two years ending on 31-03-2012 and 31-03-2013 .

Liabilities	*31.03.2012 ( )*	*31.03.2013 ( )*
Equity share capital	1,15,000	1,15,000
Profit & loss a/c.	8,000	11,500
8% Debentures	45,000	35,000
Creditors	52,000	47,500
Outstanding expenses	6,000	6,500
Depreciation fund	20,000	22,000
Reserve for contingencies	30,000	30,000
	2,76,000	2,67,500

Assets	*31.03.2012 ( )*	*31.03.2013 ( )*
Machinery	24,000	33,000
Land and building	77,000	77,000
Investments	50,000	32,000
Stock-in-trade	41,000	53,000
Prepaid expenses	500	1,000
Debtors	38,500	26,500
Cash and bank	45,000	45,000
	2,76,000	2,67,500

Additional Information :

(i) 10% dividend was paid in cash.

(ii) New machinery for `15,000 was purchased but an old machinery costing `6,000 was sold for `2,000 on which accumulated depreciation was `3,000.

(iii) `10,000 8% Debentures were redeemed by purchase from the open market at `96 for a debenture of `100.

(iv) Investments were sold at book value.

Prepare a cash flow statement for the year ending 31-03-2013 as per AS-3.

(12 marks)

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