5382—F81—VI SC—May 2014

SIXTH SEMESTER B.Com. DEGREE EXAMINATION, 2014

COST ACCOUNTING—II

Time : Three Hours

Maximum : 80 Marks

Answer **all** *sections according to internal choice.*
Give working notes wherever necessary.
Non-programmable calculator is permitted.

Section A

1. Answer any *ten* of the following :—

(a) Why profit reconciliation statement is prepared ?

(b) In which industries job costing is applied ?

(c) State the method of valuation of stock in Cost accounts and Financial accounts.

(d) What is service costing ? Where it is applied ?

(e) How the abnormal loss and abnormal gain are treated ?

(f) What is sub-contract ? How it is treated in Contract Account ?

(g) Define composite cost unit. Give *two* examples.

(h) Give the formula for calculation of WIP in contract costing.

(i) What is break-even point ? How it is calculated ?

(j) What is separation point ?

(k) Define Marginal Costing.

(l) Calculate P/V ratio and BEP - Fixed costs Rs. 1,80,000, Sales Rs. 6,00,000, and Profit Rs. 1,20,000.

(10 × 2 = 20 marks)

Section B

Answer any **three** *of the following.*

2. The estimated material cost of Job No. 101 is Rs. 10,000 and direct labour cost to be Rs. 2,000. In machine shop the job required machining by Machine No.12 for 20 hours and Machine No. 20 for 6 hours. Machine hour rates for Machine No.12 and Machine No. 20 are Rs. 20 and Rs. 30 respectively. Machine shop cost only is considered. The direct wages of all jobs last year amounted to Rs. 1,60,000 as against Rs. 96,000 factory overhead. Last year's factory cost of all jobs amounted to Rs. 5,00,000 as against Rs. 75,000 office expenses.

Prepare a quotation which guaranteed 20 % profit on selling price.

Turn over

3. From the following particulars, prepare reconciliation statement and ascertain costing profit o loss. Net profit as per financial profit and loss account is Rs. 50,000. Opening stock was overvalued in cost accounts as compared to financial accounts Rs. 2,000.

Administration overheads charged on financial books is Rs. 20,000 but recovered on costing book Rs. 40,000.

Income-tax provision Rs. 1,200.

Notional salary of proprietor in cost accounts Rs. 20,000

Interest received Rs. 12,000.

Closing stock as per financial books Rs. 16,200

Whereas in costing books it was Rs. 19,000.

4. From the following data, calculate :

(a) P/V ratio.

(b) Profit when sales are Rs. 40,000.

(c) New break-even point is selling price is reduced by 20 %.

Fixed expenses	...	Rs. 8,000
Break-even point	...	Rs. 20,000

5. From the following information find out the cost of product P and Q. The latter being the by product on whose sale a profit of 20 % on selling price is obtained :

Particulars		*Joint Expenditure*	*Separate Expenditure*	
			P	Q
		Rs.	Rs.	Rs.
Material	...	18,000	4,000	2,000
Labour	...	8,000	1,600	600
Expenses	...	4,000	2,000	800

Total amount realised on sale of product Q was Rs. 7,000.

6. A transport contractor arranges for carrying iron ore from iron ore mine to factory. The following vehicles are maintained :

No. of vehicles		*Capacity of vehicles*
40	...	5 ton lorries
60	...	4 ton lorries
100	...	3 ton lorries
80	...	2 ton lorries

On an average each lorry makes six trips per day and in each trip lorries cover a distance of 5 kilometres. Each lorry carries iron ore weighing only 60 % of its capacity. Taking an annual average 20 % of the lorries are laid for repairs everyday. Calculate tonne-kilometers from the above information. There are 365 working days during the year.

7. What is break-even chart ? What are its advantages and disadvantages ?

(3 × 5 = 15 marks)

Section C

Answer any **three** *questions.*
Question 13 *is* **compulsory**.

8. Product C is obtained after it passes through three distinct processes. You are required to prepare Process Accounts, Abnormal loss account and Abnormal gain account from the following information :

Particulars	*Total*	*Process* I	II	III
	Rs.	Rs.	Rs.	Rs.
Material ...	7,542	2,600	1,980	2,962
Direct Wages ...	9,000	2,000	3,000	4,000
Production overheads ...	9,000			

500 untis at Rs. 6 per unit were introduced in Process I. Production overheads are to be distributed at 100 % on direct wages.

Process	*Actual output units*	*Normal loss*	*Value of scrap per unit* Rs.
Process I ...	475	5 %	4
Process II ...	420	10 %	8
Process III ...	375	15 %	10

9. Popular building contractors undertook a contract for Rs. 30,00,000 on 1-4-2013. The Trial Balance as on 31-3-2014 is as under :

Trial Balance as on 31-3-2014

Particulars	*Debit* Rs.	*Credit* Rs.
Share Capital ...	—	6,00,000
Cash received from contractee (75 % of work certified) ...	—	15,00,000
Charged to contract :		
Materials ...	13,00,000	—
Plant ...	3,00,000	—
Wages ...	1,02,000	—
Supervisor salary ...	66,000	—
Administrative expenses ...	3,00,000	—
Other expenses ...	32,000	—
	21,00,000	21,00,000

Additional Information :

(a) Wages for a week and salary of supervisor for a month are outstanding.

(b) Plant costing Rs. 40,000 was returned on 31-3-2014.

(c) The material costing Rs. 20,000 were returned to stores.

(d) The plant costing Rs. 24,000 was lost in accident and the insurance company p Rs. 20,000 only.

(e) Material on site as on 31-3-2014 was Rs. 30,000.

(f) Provide depreciation on plant at 10 % p.a.

(g) Work uncertified was Rs. 1,00,000.

Prepare Contract Account and Balance Sheet as on 31-3-2014.

10. Mr. Rakesh owns a bus which runs according to the following schedule :

(i) Dharward to Kolhapur and back on the same day. Distance covered 150 kms. one way, the bus runs 8 days in a month and seating capacity occupied is 90 %.

(ii) Dharward to Sirsi and back on the same day. Distance covered 120 kms. one way, the bus runs 10 days in a month and seating capacity occupied is 85 %.

(iii) Dharwad to Raichur and back the same day. Distance covered 270 kms. one way, the bus runs 6 days in a month and seating capacity occupied is 100 %.

Following are the other details :

Cost of the bus	...	Rs. 6,00,000
Salary of the driver	...	Rs. 2,800 p.m.
Salary of the conductor	...	Rs. 2,200 p.m.
Salary of part-time accountant	...	Rs. 200 p.m.
Insurance of the bus	...	Rs. 4,800 p.a.

Diesel consumption 4 kms. per litre at Rs. 6 per litre.

Road tax	...	Rs. 1,500 p.a.
Lubricant oil	...	Rs. 10 per 100 kms.
Permit fee	...	Rs. 315 p.m.
Repairs and maintenance	...	Rs. 1,000 p.m.
Depreciation of the bus	...	at 20 % p.a.
Seating capacity of the bus	...	50 persons

Passenger tax is 20 % of the total takings. Calculate the bus fare to be charged from each passenger to earn a profit of 30 % on total takings and the fares to be charged for per passenger for the journeys :

(i) Dharwad to Kolhapur.

(ii) Dharwad to Sirsi.

(iii) Dharwad to Raichur.

Turn over

11. The Modern Ltd. is producing two types of face power "Talc" and "Compact". The manufacturing costs for the year ended 31st March 2014 were as follows :

		Rs.
Direct Materials	...	3,20,000
Direct Wages	...	4,40,000
Production overhead	...	1,20,000
Total	...	8,80,000

It is ascertained that :

(a) Direct materials in "Talc" type of powder cost twice as much as that of "Compact" type.

(b) Direct wages of "Compact" type powder were 60 % of those for "Talc" type.

(c) Production overhead was 80 paise per powder for both types.

(d) Administration overhead for each type was 150 % of direct wages.

(e) Selling cost was 50 paise per powder for both the types.

(f) Production during the year was :

"Talc" type — 50,000 boxes of which 45,000 were sold

"Compact" type — 1,00,000 boxes of which 90,000 were sold.

(g) Selling prices were Rs. 20 per box of "Talc" type and Rs. 14 per box of "Compact" type.

Prepare a statement showing the total cost per box of powder of each type and the profit made on each type.

12. From the following figures, prepare Ronciliation statement :

		Rs.
Net loss as per costing records	...	1,72,400
Works overhead under recovered in cost accounts	...	3,120
Administration overhead over-recovered in cost accounts	...	1,700
Depreciation charged in financial accounts	...	11,200

		Rs.
Depreciation charged in cost accounts	...	12,500
Interest received not included in cost accounts	...	8,000
Obsolescence charged on financial accounts	...	5,700
Income-tax provided in financial accounts	...	40,300
Bank interest credited in financial accounts	...	750
Stores adjustment (Cr.) in financial accounts	...	475
Value of opening stock in cost accounts	...	52,600
Value of opening stock in financial accounts	...	54,000
Value of closing stock in cost accounts	...	52,000
Value of closing stock in financial accounts	...	49,600
Interest charged in cost account but not in financial account	...	6,000
Provision for doubtful debts in financial accounts	...	150
Preliminary expenses written-off in financial books	...	800

13. Adarsh Company Ltd. manufactures three different products and the following information is provided :

Particulars		*Product* A	B	C
Sales mix	...	35 %	35 %	30 %
Selling price per unit	...	Rs. 30	Rs. 40	Rs. 20
Variable cost per unit	...	Rs. 15	Rs. 20	Rs. 12
Total fixed cost	...	Rs. 1,80,000		
Total sales	...	Rs. 6,00,000		

The company has a proposal to discontinue the product "C" and replace it with "P" and the results are anticipated :

Particulars		*Product* A	B	C
Sales mix	...	50 %	25 %	25 %
Selling price per unit	...	Rs. 30	Rs. 40	Rs. 30
Variable cost per unit	...	Rs. 15	Rs. 20	Rs. 15
Total fixed cost	...	Rs. 1,80,000		
Total sales	...	Rs. 6,40,000		

Calculate the present profitability position and profitability if product C is replaced by pr
Will you advise the company to change over to product P with reasons.

(3 × 15 = 45