**VALLUVAR COLLEGE OF SCIENCE AND MANAGEMENT – KARUR**

**PG AND RESEARCH DEPARTMENT OF COMMERCE**

**TWO MARK QUESTION WITH ANSWER**

**COST ACCOUNTING**

**UNIT-I**

**1. Define cost centre**:

A cost center is often a department within a company. The manager and employees of a cost center are responsible for its costs but are not directly responsible for [revenues](https://www.accountingcoach.com/blog/what-are-revenues) or investment decisions.

**2. What is factory cost**?

Factory overhead is basically the costs of running a business that can’t be directly attributed to a product or service. Factory overhead usually relates to factories or production of goods.

**3. Explain the Objectives of cost accounting**:

a).To ascertain the cost per unit of the different products manufactured by a business concern.

b) To provide a correct analysis of cost both by process or operations and by different elements of cost

c) To provide requisite data and serve as a guide for fixing prices of products manufactured or services rendered

d) To ascertain the profitability of each of the products and advise management as to how these profits can be maximized.

e) To exercise effective control if stocks of raw materials, work-in-progress, consumable stores and finished goods in order to minimize the capital locked up in these stocks.

f)  To advise management on future expansion policies and proposed capital projects.

**4. Merits and Demerits of cost accounting**:

**Advantages:**

1. Helps in cost control.
2. Helps in decision making.
3. Guides in price fixation.
4. Assist the trade union.
5. Remove the wastage and losses.

**Disadvantages:**

a) System is more complex.

b) Expensive

c) Not suitable for small scale unit.

d) Based on estimation.

**5. Different methods of costing**:

**a) Job costing**:

Under this method costs are collected and accumulated for each job or work order or project separately. Each job can be identified separately and hence becomes essential to analyze the costs according to each job.

**b) Contract costing**:

Contract costing does not in principle differ from job costing. When the job is big and spread over long period of time, the method of contract costing is used.

**c) Batch costing**:

 A batch may represent a number of small orders or group of identical products passed through the factory in batch.

**d) Process costing:**

A process refers here to a stage of production. If a product passes through different stages, each distinct and well defined, then in order to ascertain the cost at each stage or process, the process costing is used.

**e) Operation costing**:

It is suitable to industries where mass or repetitive production is carried out or where the goods have to be stocked in semi-finished stage, to enable the execution of special orders, or for the convenient use in later operations.

**f) Unit costing:**

This is also known as single or output costing. This method is suitable for industries where the manufacture is continuous and units are identical.

**g) Operating costing**:

This is suitable for industries, which render services as distinct from those, which manufacture goods. This is applied in transport undertakings, power supply companies, gas, water works, municipal services, hospitals, hotels, etc.

**h) Multiple costing:**

It is also called as composite costing. It represents the application of more than one method of costing in respect of the same product. This is suitable for industries where a number of component parts are separately produced and subsequently assembled into a final product. In such industries each component differs from others as to price, materials used, and manufacturing processes.

**6. Elements of cost in cost accounting**:

a) **Direct Material**: It refers to material out of which a product is to be produced or manufactured. The cost of direct material is varying according to the level of output. For example: Milk is the direct material of butter.

b) **Indirect Material**: It refers to material required to produce a product but not directly and does not form a part of a finished product. For example: Nails are used in furniture. The cost of indirect material is not varying in direct proportion of product.

c)  **Direct Labour**: It refers to the amount paid to the workers who are directly engaged in the production of goods. It varies directly with the output.

d) **Indirect Labour**: It refers to the amount paid to the workers who are indirectly engaged in the production of goods. It does not vary directly with the output.

e) **Direct Expenses**: It refers to the expenses that are specifically incurred by the company to produce a product. A product cannot be produced without incurring such expenses. It varies directly with the level of output.

f) **Indirect Expenses**: It refers to the expenses that are incurred by the organization to produce a product. But, these expenses cannot be easily found out accurately. For example: Power used for production.

g) **Overhead**: It is the combination of all indirect materials, indirect labour and indirect expenses.

h) **Factory Overhead**: It is otherwise called Production Overhead or Works Overhead. It refers to the expenses that are incurred in the production place or within factory premises. For example: Indirect material, rent, rates and taxes of factory, canteen expenses etc.

i) **Administration Overhead**: It is otherwise called Office Overhead. It refers to the expenses that are incurred in connection with the general administration of the company. For example: Salary of administrative staff, postage, telegram and telephone, stationery etc.

j) **Selling Overhead**: It refers to all expenses incurred in connection with sales. For example: Salary of sales department staff, travelers’ commission, advertisement etc.

k) **Distribution Overhead**: It refers to all expenses incurred in connection with the delivery or distribution of [goods and services](https://accountlearning.com/4-major-differences-goods-services/) from the producer to the consumer. For example: Delivery van expenses. Loading and unloading, customs duty, salary of deliverymen etc.

7. **Different between cost accounting and financial accounting**:

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**8. What is cost unit**?

The **unit cost** is the price incurred by a company to produce, store and sell one **unit** of a particular product. **Unit costs** include all fixed **costs** and all variable **costs** involved in production. **Cost unit** is a form of measurement of volume of production or service.

**9. What is prime cost?**

**Prime** costs are the costs directly incurred to create a product or service.  **Examples** of **prime** costs are: Direct materials. This is the raw materials used to construct a product. This may also include supplies consumed during the production of individual units, if such an association can be established

**UNIT-II**

**1. What is mean by store ledger**?

A **stores ledger** is a manual or computer record of the raw materials and production supplies stored in a production facility. It is maintained by the person responsible for these assets, such as the warehouse manager.

**2. What is ABC analysis**?

ABC analysis is a type of inventory categorization method in which inventory is divided into three categories, A, B, and C, in descending value. A has the highest value items, B is lower value than A, and C has the lowest value.

**3. Write note on FIFO**:

"**FIFO**" stands for first-in, first-out, **meaning** that the oldest inventory items are recorded as sold first but do not necessarily **mean** that the exact oldest physical object has been tracked and sold. In other words, the cost associated with the inventory that was purchased first is the cost expensed first.

**4. How do you price material issue under LIFO method?**

As against the First in First Out method the issues under this method are priced in the reverse order of purchase i.e., the price of the latest available consignment is taken. This method is sometimes known as the replacement cost method because materials are issued at the current cost to jobs or work orders except when purchases were made long ago.

**5. List out various stock levels maintained by stores department**:

**a) Re order level**:

Re-order level is a level of material at which the storekeeper should initiate the purchase requisition for fresh supplies. When the stock-in-hand comes down to the re-ordering level, it is an indication that an action should be taken for replenishment or purchase.

Re-order Level= Maximum Consumption x Maximum Re-ordering Period.

**b) Minimum level**:

Minimum level or safety stock level is the level of inventory, below which the stock of materials should not be fall. If the stock goes below minimum level, there is a possibility that the production may be interrupted due to shortage of materials.

*Minimum Level = Re-order level -(Normal consumption x Normal Re-order Point)*

**c) Maximum level**:

Maximum level is that level of stock, which is not normally allowed to be exceeded. Beyond the maximum stock level, a blockage of capital should be exercised to check unnecessary stock. The factory should not keep materials more than the maximum stock level.

*Maximum Level = Re-order Level + Re-order quantity - (Minimum consumption x Minimum Delivery Time)*

**d) Danger level**:

Danger level is a level of fixed usually below the minimum level. When the stock reaches danger level, an urgent action for purchase is initiated.

Danger Level = Normal consumption x Maximum re-order period for emergency purchase.

**6. Define bin card:**

A BIN Card is a table that records the status of a good held in stock. A typical retailing business with a large stock warehouse will use a BIN card to record a running **balance** of stock on hand, in addition to information about stock received and notes about problems associated with that stock item.

**7. What is material cost?**

In **cost accounting**, **material** is defined as the part of inventory. Basically, **material** and raw **material** are used for same purpose. This is main part of total **cost** of production. So, it is very necessary for producing any new product. Its **cost** will reflect the profit of company directly.

8. **What is EOQ?**

Economic order quantity (EOQ) refers to the optimum amount of an item that should be ordered at any given point in time, such that the total annual cost of carrying and ordering that item is minimized.

**UNIT - III**

1. **What is time keeping?**

Time-keeping is concerned with the recording of time of workers for the purpose of attendance and wage calculations whereas time booking is the reporting of each worker's time for each department, operation and job for the purposes of cost analysis and apportionment of labour costs between various jobs and departments.

1. **Describe “labour Turnover”?**

The rate of change in the composition of the labour force in an organization during a specified period is called Labour turnover.

1. **What is labour cost?**

Labour cost is the cost of remuneration (wages, salaries, commissions and bonus etc.) of the employees of an undertaking – ICMA.

1. **What is the meaning of idle time?**

When workers spend their whole time at different job, then the time booked for jobs must agree with the gate time.

1. **What is incentive?**

Under the method a worker is given wages at the time rate for the time he actually worked and also paid a bonus if he can complete the work in less than the time allotted to do the work. The bonus is paid at a fixed percentage of the time saved, usually 50%, (though the percentage varies from 30% to 70% of time saved).

1. **What is over time?**

When a worker works above his normal working hours, he is set to be working over time. If a worker works more than 9 hours on any day or 48 hours in a week, the worker is entitled for overtime payment.

1. **What do you mean by time booking?**

Time booking is recording the time actually spent by a worker on various jobs done by him in the factory for cost analysis and dividing labour cost into various jobs and departments. It also helps in control over wastage of time- idle time.

1. **What is indirect labour?**

It is the amount of wages paid to work men, who aren’t engaged in the production of goods & services, but at the same time, indirectly keep to the direct labour

1. **Give the meaning of Labour Turnover.**

It is the number of workers who left the job during a period relative to the average labour force during the period. It is a factor which affects the efficiency of labour and, therefore, labours costs. It means rate of change in the composition of the labour force.

1. **What is meant by Idle Time?**

When workers spend their whole time at different job, then the time booked for jobs must agree with the gate time.

1. **What are the merits of piece rate system?**

Workers are paid according to their merits because distinction is made between efficient and inefficient workers. An efficient worker can earn more wages because wages are linked to output. Thus, this method is an improvement on the time wage system

1. **What is direct labour?**

The labour spent in altering the construction, composition, or condition of product (i.e.) converting raw materials into finished product is known as direct labour.

1. **What is a job card?**

Job cards are prepared by hand or printed. Generally, one land is issued to an operator at a time. When the worker starts the work, the Home is recorded through time recording clock and the same is also punched again when the work is finished.

1. **What is over time?**

When a worker works above his normal working hours, he is set to be working over time. If a worker works more than 9 hours on any day or 48 hours in a week, the worker is entitled for overtime payment.

1. **What is labour turn over?**

It may be defined as the rate of change in a labour force that is it denotes the percentage of change in the labour force of an organization.

1. **What is Time rate system (or) Day rate system?**

This method relates to the hours, the employee is at work, regardless of output. This is known as Time rate system.

1. **What is piece rate system?**

This method relates to the production or output, regardless of the time taken for production. This is known as piece rate system (or) payment by result.

1. **What are the categories of piece rate system?**
2. Straight piece rate. ii) Piece rates with guaranteed time rates.

iii) Differential piece rate.

1. **What is a labour hour Rate?**

This method refers to the computation of absorption rate on the basis of labour hours spent on producing a particular product.

The Rate = Production overhead / Labour hours spent

**UNIT-4**

**1. What you mean by machine hour rate**:

A method of calculating [production overhead](http://www.investorguide.com/definition/production-overhead.html) [absorption rate](http://www.investorguide.com/definition/absorption-rate.html), where the [number](http://www.investorguide.com/definition/number.html) of hours the machines are expected to work is divided into the budgeted production overhead to give a [rate](http://www.investorguide.com/definition/rate.html) per hour.

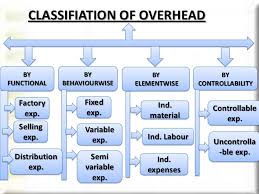
**2. Reason for preparing cost reconciliation statement:**

A statement which is prepared for reconciling the profit between financial and cost account is known's as cost reconciliation statement. A cost reconciliation statement is a statement recording the profit or losses shown by the cost accounts and financial account. It is a statement where the causes for the difference in net profit or net loss between cost and financial accounts are established and suitable adjustments are made to remove.

3. **Bases for apportionment of overheads:**

In this method, the capital values of certain assets like machinery and building are used as **basis** for the **apportionment** of certain expenses. Examples are: Rates, taxes, depreciation, maintenance, insurance charges of the building etc.

4**. Explain various types of overheads:**



**5. Define overhead:**

Overhead costs are [indirect costs](https://www.myaccountingcourse.com/accounting-dictionary/indirect-costs) that can’t be traced back to a specific product as well as ongoing administrative expenses that do not generate revenues. These costs do not involve [direct labor](https://www.myaccountingcourse.com/accounting-dictionary/direct-labor), [direct materials](https://www.myaccountingcourse.com/accounting-dictionary/direct-materials), or [direct expenses](https://www.myaccountingcourse.com/accounting-dictionary/direct-expenses) that customers pay for.

**6. What are fixed and variable overhead?**

**a) Fixed overhead**:

**Fixed overhead** costs are those costs like rent, utilities, basic telephone, loan payments, etc., that stay the same whether sales go up or down.

**b) Variable overhead**:

**Variable overhead**, on the other hand, are those costs which vary directly with production. Examples of **variable overhead** would be maintenance on vehicles.

7. **Methods of overhead absorption**:

a) **Production Unit Method:**

**Under this method, overhead absorption rate is calculated by dividing the overhead cost by number of units produced or expected to be produced as shown below:**

[http://cdn.accountingnotes.net/wp-content/uploads/2016/12/clip_image004_thumb-3.png](http://cdn.accountingnotes.net/wp-content/uploads/2016/12/clip_image004-3.png)

**b) Percentage of Direct Material Cost Method:**

Under this method overhead is absorbed based on the actual or predetermined absorption rate calculated by expressing the overhead cost as percentage of direct materials for the same period.

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c) **Percentage of Direct Labour Cost Method:**

**Under this method, overhead absorption rate is calculated by expressing the overhead expense to be absorbed as a percentage of cost of direct labour for the same period.**

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d) **Percentage of Prime Cost Method:**

This method is a combination of both direct material cost and direct labour cost method.

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e) **Direct Labour Hour Rate Method:**

Under this method, overhead absorption rate is calculated by dividing the overhead with the number of direct labor hours.

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8. **What is primary distribution?**

Primary distribution of overheads refers to allocation and apportionment of overhead expenses among production and service departments of an organization. This process involves allocation of overheads which can be directly identified with a particular department and apportionment of common item of overheads on appropriate basis among all the departments.

**9. State any two selling overhead**:

a) Sales man commission

b) Sales man salary.

c) Showroom rent

d) Travelling expenses

e) Salary of sales manager.

**10. What is under absorption?**

If **overhead** is **under absorbed**, this means that more actual **overhead** costs were incurred than expected, with the difference being charged to expense as incurred. This usually means that the recognition of expense is accelerated into the current period, so that the amount of profit recognized declines.

**UNIT-5**

**1. What is contract costing**?

**Contract**[**costing**](https://www.playaccounting.com/exp-ca/ca-exp/costing/) is the method of costing which is applied in a [business](https://www.playaccounting.com/accounting-terms/b/business/) where separate contracts of non-repetitive nature are undertaken.

**2. What are the advantages of job costing?**

(i) Profitability of each job can be individually determined.

(ii) It provides a basis for estimating the cost of similar jobs which are to be taken in future.

(iii) It provides the detailed analysis of the cost of material, labour and overheads for each job as and when required.

(iv) Plant efficiency can be controlled by confining attention to costs relating to individual jobs.

**3. Meaning of normal loss:**

**Normal loss** means that **loss** which is inherent in the processing operations. It can be expected or anticipated in advance i.e. at the time of estimation. Accounting Treatment.

**4. What is abnormal gain?**

More output over the expected or normal output realized is called an **abnormal gain**. **Abnormal gain** arises because of an **abnormal** effective in the use of raw material or efficiency in performance so it is known as **abnormal** effective.

**5. What is operating cost**?

Operating costing is an extension and refined form of [process costing](https://accountlearning.com/process-costing-principles-features-objectives-application/). It is also more or less very similar to single or output costing. The operating costing gives more emphasis on providing services rather than the cost of manufacturing an article.

**6. What is work certified:**

When contractor takes the contract to complete any construction work, it may complete in 4 or 5 years. but contractor has to pay different expenses for material, labor and others. So, it is very necessary to pay him some money of contract. This money is given on the basis of work done.

**7. What is process costing**?

**Process costing** is a term used in **cost** accounting to describe one method for collecting and assigning manufacturing **costs** to the units produced. A processing **cost** system is used when nearly identical units are mass produced.

**8. What are the features of job costing**?

(a) It is a Specific Order Costing.

(b) It is concerned with the cost of an individual job or batch regardless of the time taken to produce it, but normally short duration jobs.

(c) Costs are collected to each job at the end of its completion.

(d) The costs of each job is ascertained by adding materials, labour and overheads.

**9. What is abnormal loss**?

An **abnormal loss** refers to a situation where a business or firm is making profits below the normal limits. In an **abnormal loss** situation the total revenue of a business does not cover total cost incurred for the business.

**10. What are the features of process costing**?

(a) The production of goods is continuous, except where the plant is shut-down for repairs, until the final product.

(b) The finished product is the result of two or more processes.

(c) The product of the first process becomes the raw material for the second process and so on.

(d) Each process is distinct and is pre-determined.

(e) Costs are accumulated by processes.

(f) The products are standardized and homogeneous.

(g) It is not possible to distinguish finished products while they are in the stage of processing.

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**PREVIOUS YEAR QUESTION PAPER**

**UNIT – I**

**PART – A - TWO MARKS**

1. What is cost accounting?
2. Define cost sheet.
3. What is cost centre?
4. Define cost accounting.
5. What is cost sheet?
6. What is prime cost?
7. What is cost unit?
8. What is cost unit?
9. What is Historical costing?
10. What is cost ascertainment?
11. What is scrap?
12. Prepare cost sheet :

Direct material Consumed Rs.10, 000

Direct labour Rs.5, 000

Direct Expenses Rs.5, 000

1. What is Cost Ascertainment?

**PART – B - FIVE MARKS**

1. What are the objectives of cost accounting?
2. Give the specimen of cost sheet.
3. Explain cost centre and cost apportionment.
4. What are the advantages of cost accounting?
5. What are the disadvantages of cost accounting?
6. Explain the meaning of the term cost unit.
7. What are the advantages of preparing a cost sheet?
8. A factory produces 200 units of a commodity the cost of production is

Direct Material Rs.20, 000

Direct wages Rs. 10,000

Direct expenses Rs.2, 000

Factory overheads Rs.13, 000

Office overheads Rs.6, 960

If profit of 20 % of sales is to be realized, what will be the selling price? Prepare cost sheet.

1. Prepare cost sheet

Raw materials used 60,000

Wages 15,000

Works expenses are charged @ 100 % of wages.

Office overhead is charged @ 25 % on works cost.

Selling overheads is 10 % of cost of production.

1. Prepare the cost sheet from the following data.

Direct material Rs.5,000

Direct labour Rs.3,500

Factory expenses Rs.1, 500

Administration expenses Rs.800

Selling expenses Rs.700

1. During the year 1998, X Ltd., produced 50,000 units of a product. The following were the expenses.

|  |  |
| --- | --- |
| **Particulars** | **Rs.** |
| Stock of raw materials 1.1.98 | 10,000 |
| Stock of raw materials 31.12.98 | 20,000 |
| Purchases | 1,60,000 |
| Direct wages | 75,000 |
| Direct expenses | 25,000 |
| Factory expenses | 37,500 |
| Office expenses | 62,500 |
| Selling expenses | 25,000 |
| You are required to prepare a cost sheet showing cost per unit and total cost at each stage. | |

1. Briefly explain the types of Cost.
2. Prepare the cost sheet from the following.

Direct Material Rs.8, 000

Direct wages Rs.6, 000

Direct Expenses Rs. 2,500

Factory Over heads Rs.5, 000

Administration Expenses Rs.4, 000

Sales Rs.40, 000

1. Explain the meaning of the term cost unit.
2. What are the advantages of preparing a cost sheet?
3. Prepare a cost sheet

Raw materials used Rs.60, 000

Wages Rs.15, 000

Works expenses is charged at 100 % of wages

Office Overhead is charged at 25 % on works cost

Selling overheads is 10 % of cost of production.

**PART – C - TEN MARKS**

1. Explain the merits and demerits of cost accounting?
2. Discuss the important types of cost accounting systems.
3. Distinguish between financial accounting and cost accounting.
4. Show cost per unit and profit per unit.

|  |  |
| --- | --- |
| **Particulars** |  |
| Raw materials | Rs.4, 000 |
| Machine hours | 9,500 |
| Direct wages | 2,400 |
| Machine hour rate | 0.40 |
| Administration over head | 20 % on cost |
| Selling overhead | Rs.0.10 per unit |
| Selling price | Rs.18,000 |
| No.of.units produced | 20,000 units |
| No.of units sold | 18,000 units. |

1. From the following data prepare cost sheet of global company

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Opening (Rs.)** | **Closing (Rs.)** |
| Cost of raw materials | 30,000 | 25,000 |
| Cost of work in progress | 12,000 | 15,000 |
| Cost of finished goods | 60,000 | 55,000 |

**Other information:**

Purchase of raw materials Rs.4, 50,000

Wages Rs.2, 30,000

Factory work heads Rs. 92,000

Administrative expenses Rs.30, 000

Selling and distribution expenses Rs.20, 000.

1. The cost of manufacture of a specified product is given below:

|  |  |
| --- | --- |
| Raw materials consumed | Rs.80,000 |
| Direct wages | Rs.40,000 |
| Works indirect charges | 80% |
| Office overhead | 10 % |
| Selling overheads (per unit sold ) | Rs.150 |
| Direct expenses | Rs.8000 |
| Unit produced | Rs.4,000 |
| Unit sold | RS.3,600 |
| Selling price per unit | Rs.50 |
| Prepare a cost sheet. |  |

1. The cost of manufacture of a specified product is given below:

|  |  |
| --- | --- |
| Raw materials consumed | Rs.50,000 |
| Direct wages | Rs.30,000 |
| Works indirect charges | 60% |
| Office overhead | 8 % |
| Selling overheads (per unit sold ) | Rs.2.00 |
| Direct expenses | Rs.5,000 |
| Unit produced | Rs.2,000 |
| Unit sold | RS.1,800 |
| Selling price per unit | Rs.100 |
| Prepare a cost sheet. |  |

1. From the following information to prepare a cost sheet for the month of December 2008.

|  |  |
| --- | --- |
| **Particulars** | **Rs.** |
| **Stock on hand 1.1.2008** |  |
| Raw materials | 25,000 |
| Finished goods | 17,300 |
| **Stock on hand 31.12.2008** |  |
| Raw materials | 26,200 |
| Finished goods | 15,700 |
| Purchase of raw materials | 21,900 |
| Carriage on purchase | 1,100 |
| Work in progress 1.1.2008 at works cost | 8,200 |
| Work in progress 31.12.2008 at works cost | 9,100 |
| Sale of finished goods | 72,300 |
| Direct wages | 17,200 |
| Non productive wages | 800 |
| Direct expenses | 1,200 |
| Factory overheads | 8,300 |
| Administrative overheads | 3,200 |
| Selling and distribution overheads | 4,200 |

1. The following data of Oswal Corporation , for the period of Six months:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **January 1, 2013 (Rs.)** | | **June 30, 2013 (Rs.)** |
| Raw materials | 30,000 | | 25,000 |
| Work - in - Progress | 12,000 | | 15,000 |
| Finished goods | 60,000 | | 55,000 |
| **Other Transactions:** | | | |
| Purchase of raw materials | | 4,50,000 | |
| Wages paid | | 2,30,000 | |
| Factory overheads | | 92,000 | |
| Administrative Overheads | | 30,000 | |
| Selling and Distribution overheads | | 20,000 | |
| Sales | | 9,00,000 | |

Prepare cost sheet from the above data.

1. From the following prepare cost sheet.

|  |  |  |
| --- | --- | --- |
| **Particulars** | **1.1.2006(Rs.)** | **31.12.2006(Rs.)** |
| Cost of raw materials | 30,000 | 25,000 |
| Cost of finished goods | 60,000 | 55,000 |
| Cost of work - in - progress | 12,000 | 15,000 |
| Purchase of raw materials | 4,00,000 | |
| Wages | 2,30,000 | |
| Factory overheads | 92,000 | |
| Administrative expenses | 30,000 | |
| Selling and distribution overheads | 20,000 | |
| Sales | 9,00,000 | |

**PREVIOUS YEAR QUESTION PAPER**

**UNIT – II**

**PART – A - TWO MARKS**

1. Explain inventory control?
2. What is purchase report?
3. What do you mean by time wage system?
4. What do you mean by EOQ?
5. Write a short on ABC Analysis.
6. What is EOQ?
7. What is re – order level?
8. What is stores ledger?
9. What is material control?
10. What is Material Cost?
11. Define Bin card.
12. What is FIFO?
13. Write down the formula to EOQ?

**PART – B - FIVE MARKS**

1. From the following figures, calculate Economic Order Quantity.

Annual consumption of material 4000 kg

Cost of placing an order Rs.5

Cost per unit Rs.2 per kg

Storage and carrying cost 8 % of inventory.

1. What are the merits of perpetual inventory system?
2. Calculate inventory turnover ratio :

Minimum stock level - 2000 units

Re – order quantity - 4000 units

Maximum stock level - 6000 units

Issues - 12000 units

1. Find out the different stock levels:

Normal consumption - 600 units per day

Maximum consumption - 840 per day

Re – order quantity - 7200 units

Re – order period - 8 to 12 days

Minimum consumption - 480 units per day

Normal re – order period 10 days.

1. Prepare stores ledger account under FIFO method.

1.1.86 Opening stock 200 units @ Rs.3

2.1.86 Received 300 units @ Rs.4

4.1.86 Issued 250 units

6.1.86 Received 100 units @ Rs.2

10.1.86 issued 200 units.

1. Find out the EOQ.

Annual usage Rs.1, 20,000

Cost of placing and receiving one order Rs.60

Annual carrying cost 10 % of inventory Value.

1. Briefly explain the types of stores control.
2. Find out EOQ:

Annual material consumption 6000 kg

Cost of placing one order Rs.12

Cost of carrying one kilo Re.1

1. What are ABC analysis and VED analysis?
2. Explain the importance of inventory control.
3. From the following details, find out re – order level, maximum level and minimum level of stock.

Re – order quantity of material 186 units

Maximum usage 75 units per week

Minimum usage 25 units per week

Normal usage 50 units per week

Re – order period 4 to 6 weeks.

1. Calculate the EOQ from the following information using.

Annual consumption of material 600 units

Ordering cost Rs.12 per order

Price per unit Rs.20

Carrying cost per annum 20 %

1. From the following information calculate, EOQ, Re – order level, Maximum level and Minimum level .

Normal usage 150 units per day

Minimum usage 100 units per day

Maximum usage 200 units per day

Re –order period 50 to 60 days

The annual usage is 50,000 units

The cost of purchase is Rs.100 per order

Cost per unit is Rs.1.00

Carrying cost is 10 % per annum.

1. Calculate EOQ :

Total consumption of material per year 10,000 kgs.

Buying cost per order Rs.50

Unit cost of material Rs. 2 per kg

Carrying and storage cost 8 % on average investing.

1. What is meant by Re – order level? How is it determined?
2. What are the advantages of ABC analysis?
3. Find out the EOQ from the following data:

Annual usage = 600 units

Price per unit = Rs.20

Ordering Cost = Rs.12 per order

Carrying Cost = 20 %

1. Calculate the Economic Order Quantity from the following information:
2. Consumption of materials per annum - 10,000 kg.
3. Order placing costs per order - Rs.50
4. Cost per Kg of raw materials - Rs.2
5. Storage costs 8 % on average inventory.
6. What do you mean by perpetual inventory system?
7. Calculate inventory turnover.

Minimum stock level - 2000 units; Re - order quantity - 4000 units

Maximum stock level - 6,000 units; Issues - 12,000 units

1. State any three objectives of material control.
2. Find out the EOQ from the following data:

Annual usage = 600 units

Price per unit = Rs.20

Ordering Cost = Rs.12 per order

Carrying Cost = 20 %

**PART - C - TEN MARKS**

1. Prepare stores ledger account under simple average method.

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Particulars** | **Units** | **Price per unit** |
| 1.3.2010 | Purchases | 400 | 2 |
| 10.3.2010 | Purchases | 500 | 3 |
| 15.3.2010 | Issues | 450 | - |
| 19.3.2010 | Purchases | 600 | 4 |
| 22.3.2010 | Issues | 700 | - |
| 27.3.2010 | Purchases | 500 | 5 |
| 31.3.2010 | Issues | 550 | - |

1. Show the stores ledger using weighted average method.

1.1.2009 Purchased 500 units @ Rs.2 per unit.

10.1.2009 Purchased 300 units @ Rs.2.10 per unit.

15.1.2009 Issued 600 units

20.1.2009 Purchased 400 units @ Rs.2.20 per unit

25.1.2009 Issued 300 units

27.1.2009 Purchased 500 units @ Rs.2.10 per unit

31.1.2009 Issued 200 units

1. The following transactions occur in the purchase and issue of a material.

2.1.2008 Purchased 4000 units @ Rs.4 per unit.

5.1.2008 Purchased 500 units @ Rs.5 per unit.

10.1.2008 Issued 2000 units

12.1.2008 Purchased 6000 units @ Rs.6 per unit

15.1.2008 Issued 4000 units

17.1.2008 Issued 1000 units

20.1.2008 Issued 2000 units

23.1.2008 Purchased 4500 units @ Rs.5.50 per unit

25.1.2008 Issued 3000 units

Prepare stores ledger account by adopting LIFO method.

1. Prepare stores ledger account, using LIFO method of pricing issues.

1.1.2012 stock in hand 500 units, Rs.1000

5.1.2012 purchased 300 units, Rs.660

7.1.2012 issued for production 400 units

8.1.2012 purchased 300 units, Rs.990

10.1.2012 Purchased 200 units, Rs.750

12.1.2012 issued 150 units.

1. Prepare stores ledger account, using FIFO method of pricing issues.

1.1.2012 stock in hand 500 units, Rs.1000

5.1.2012 purchased 300 units, Rs.630

7.1.2012 issued for production 400 units

8.1.2012 purchased 300 units, Rs.690

10.1.2012 issued 100 units

12.1.2012 issued 200 units.

1. Draw a stores ledger card recording the following transactions under FIFO method.

|  |  |
| --- | --- |
| 2008 july 1 | Opening stock 2,000 units at Rs.10 each |
| 5 | Received 1000 units at Rs.11 each |
| 6 | Issued 500 units |
| 10 | Received 5000 units at Rs.12 each |
| 12 | Received back of 50 units out of the issue made on 6th july |
| 14 | Issued 600 units |
| 18 | Returned to supplier 100 units out of goods received on 5th |
| 19 | Received back 100 units out of the issue made on 14th july |
| 20 | Issued 150 units |
| 25 | Received 500 units at Rs.14 each |
| 28 | Issued 300 units |

The stock verification report reveals that there was a shortage of 10 units on 18th July and another shortage of 15 units on 26th July.

1. Prepare stores ledger entries by using FIFO method of pricing issues method.

|  |  |  |
| --- | --- | --- |
| 2010 April 1 | Balance in hand 300 units | Rs.600 |
| 5 | Purchased 200 units | Rs.440 |
| 6 | Issued 150 units | - |
| 10 | Purchased 200 units | Rs.460 |
| 12 | Issued 150 units | - |
| 14 | Issued 200 units | - |
| 18 | Purchased 200 units | Rs.480 |
| 19 | Issued 250 units | - |

1. XYZ Ltd has purchased and issued the material of M in the following order.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | (Date) | Units | Price(Rs) |
| Balance in hand | 1.4.2013 | 300 | 2.00 |
| Purchased | 2.4.2013 | 200 | 2.20 |
| Issued | 4.3.2013 | 150 | - |
| Purchased | 6.3.2013 | 200 | 2.30 |
| Issued | 11.3.2013 | 150 | - |
| Issued | 19.3.2013 | 200 | - |
| Purchased | 22.3.2013 | 200 | 2.40 |
| Issued | 27.3.2013 | 150 | - |
| Show the stores ledger under LIFO method | | | |

1. From the following information , calculate :

a) Maximum stock level b)Minimum stock level

1. Re - order level d ) Average stock level

Minimum consumption 100 units per day ;Maximum consumption 150 units per day; Normal consumption 120 units per day; Re- order quantity 1500 units; Re - order period 10 - 15 days; Normal re - order period 12 days.

1. The following transactions to place in respect of item of material. Prepare stores ledger under simple average rate method.

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | (Date) | Units | Price(Rs) |
| Received | 2.4.2012 | 200 | 2.00 |
| Received | 10.3.2012 | 300 | 2.40 |
| Issued | 15.3.2012 | 250 | - |
| Received | 18.3.2012 | 250 | 2.60 |
| Issued | 20.3.2012 | 200 | - |

**PREVIOUS YEAR QUESTION PAPER**

**UNIT – III**

PART – A

1. What is time keeping?
2. Describe “labour Turnover”?
3. What is labour cost?
4. What is the meaning of idle time?
5. What is labour cost?
6. What is idle time?
7. What is incentive?
8. What is over time?
9. What is incentive?
10. What do you mean by time booking?
11. What is indirect labour?
12. Give the meaning of Labour Turnover.
13. What is meant by Idle Time?
14. Calculate earnings of ‘A’ under piece rate system. Output per day 384 units; Normal rate per hour Rs.1.80; Normal output per hour 60 units.
15. What are the merits of piece rate system?

**PART – B**

1. The following particulars relating to a worker .

Standard time 48 hours

Actual time 42 hours

Time rate Rs.3 per hour

Calculate wages under rowan plan.

1. What are the causes for labour turnover of a company?
2. Calculate labour turnover
3. Separation method b. Flux method

Total No. Of. Employees at the beginning 2010

Total No. of. Employees at the end 1990

No. Of. Employees resigned 30

No. Of. Employees discharged 50

No. Of. Employees replaced 40.

1. Calculate the earnings of a worker under Time rate method and piece rate method.

Standard time 30 hours

Time taken 20 hours

Hourly rate of wages is Re.1 per hour plus a D.A @ 0.50 paise per hour worked.

Produced 110 units in a hour.

1. The firm employs 5 workers at an hourly rate of Rs.2.00 .During the week they worked for 4 days for a total period of 40 hours each and completed a job for which the standard time was 48 hours for each worker. Calculate the labour cost under the Halsey method and Rowan method.
2. State the causes for frequent labour turnover in a factory.
3. Standard time for a job 48 hours. Murugan completed the job in 42 hours. Hourly wages rate Rs.24. find out his remuneration under ‘Rowan ‘scheme.
4. Following are the details from the pay – roll

At the beginning of the year 200 employees

At the end of the year 240 employees

Resigned in the job 30 employees

Replaced in the vacancies 24 employees

Calculate labour turnover under any two ways.

1. Time allowed for a job 48 hours. A worker completed it in 40 hours. Hourly rate of wages Rs.50. calculate his remuneration under ‘ Halsey’ plan.
2. How is labour turnover ratio calculated? Explain.
3. Calculate the earnings of a worker under Halsey premium plan and Rowan scheme.

Time allowed 48 hours

Time taken 40 hours

Rate per hour Rs.1

1. Calculate earnings of workers X and Y under( 1 ) straight piece rate system (2 ) Taylor’s differential piece rate system from the following details.

Standard time per unit 12 minutes

Standard time per hour Rs.60

Differentials to be used 80 % and 120 %

In a particular day 8 hours , worker ‘X’ produced 30 units and worker ‘Y’ produced 50 units.

1. A worker is paid 25 paise per hour for completing a work within 8 hours. if he completed the same within 6 hours , calculate wages under Halsey plan and rate of premium is 50 %. Ascertain the effective hourly rate of earnings by the worker.
2. Write short notes on : ‘ Time card ‘ and ‘ job card ‘.
3. State the methods of Time Keeping in a Factory.
4. The firm employ’s 5 workers at an hourly rate of Rs.2 during the week , they worked for 4 days for a total period of 40 hours each and completed a job for which the standard time was 48 hours for each worker. Calculate the labour cost under Rowan method.
5. Using the following data, calculate the earnings under:
6. Halsey plan b) Rowan plan

Time allowed 20 hours ; Time taken 15 hours; Rate per hour Rs.1.50

1. How the labour turnover is measured?
2. From the following data , calculate wages according to Rowan plan and Halsey plan. Time allowed 48 hours ; Time taken 40 hours; Rate per hour Rs.10

**PART – C**

1. Find out the cash required for payment of wages for march 2010.
2. Normal wages Rs.20,500
3. Overtime wages Rs.4,400
4. Leave wages Rs.3,400
5. Deduction of employees share to state insurance contribution Rs.1,000
6. Deduction for employees contribution to provident fund Rs.1,600
7. House rent is to be recovered from 20 employees @ Rs.2.50 per month.
8. From the following data find out the labour turnover rate by adopting
9. Flux method b) replacement method c) separation method

Number of workers on the pay roll :

At the beginning of the month 500

At the end of the month 600

During the month, 5 workers left, 20 persons were discharged and 75 workers were recruited. Of these 10 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme.

1. Under Time rate, Piece rate , Halsey plan , and Rowan plan , calculate the earnings of a worker. Time allowed 120 hours. Time taken to complete the work 108 hours. Daily wage rate is 56 per hour.
2. Under Time rate, Piece rate , Halsey plan , and Rowan plan , calculate the earnings of a worker. Time allowed 60 hours. Time taken to complete the work 52 hours. Daily wage rate is Rs. 40 per hour.
3. Rajan , a worker in a manufacturing unit , is paid at the rate of Rs.10 per hour . his working hour constitute 42 hours over a 5 days week. Time allowed per day as approved absence for personal needs etc.is 24 minutes.

Rajan job cards for the week ended 30th September 1998. Show that this time during the week is chargeable as under.

Job No. A – 42 = 15 hours

Job No. K - 12 = 20 hours

Job No. R - 3 = 2 hours

The time unaccounted for is due to a power failure. You are required to show Rajan’s wages for the week and how they would be dealt with in cost accounts.

1. A worker takes 80 hours to do a job for which the time allowed is 100 hours. His daily rate is Rs.2.50 per hour. Calculate the earnings of worker under the following methods of payment of wages.
2. Time rate b) Piece rate c) Halsey plan d) Rowan plan
3. From the following data given by the personnel department. calculate the Labour turnover rate by applying
4. Separation Method b) Replacement method c) Flux method

No of workers at the beginning of the month - 900

No of workers at the end of the month - 1100

During the month 10 workers left, 40 workers were discharged and 150 workers were recruited. of these 25 workers are recruited in the vacancies of these leaving , while the rest were engaged for an expansion scheme.

1. From the following particulars , calculate the earnings of different workers under Taylor’s differential piece rate system. Standard time per unit 6 minutes, normal rate Rs.5 per hour. Differential piece rates: 80% of piece rate the below the standard 120% of piece rate at or above the standard. In a day of 8 hours. The production by different workers is as under: ‘A’ 70 units; ‘B’ 80 units; ‘C’ 90 units; ‘D’ 100 units.
2. From the following details, calculate the earnings of different workers A and B under Taylor’s differential piece rate system. Standard time allowed 10 units per hour. Normal time rate Re.1.00 per hour. Differentials to be applied. Below standard 80% of piece rate. At or above standard 120% of piece rate. In a day of 8 hours. The production by different workers is as under: ‘A’ 75 units; ‘B’ 100 units;

**PREVIOUS YEAR QUESTION PAPER**

**UNIT – IV**

**PART – A**

1. Define overhead.
2. Explain over absorption cost?
3. Write short notes on apportionment.
4. What do you mean by cost reconciliation?
5. What is a variable overhead?
6. What is primary distribution?
7. State any two selling overheads?
8. What is machine hour rate?
9. What is under absorption?
10. Define overheads.
11. What is absorption of overheads?
12. What is overhead?
13. What is cost reconciliation statement?
14. What do you mean by machine hour rate?
15. Write short notes on Apportionment.

**PART – B**

1. Profit as per cost account Rs. 21,560
2. Closing stock over valued in financial account Rs.1,200
3. Factory overhead under absorbed Rs.2,400
4. Bank charges paid Rs.160 and interest on loan paid Rs.800
5. Dividend received Rs.400

Prepare a reconciliation statement.

1. Write short notes on memorandum reconciliation statement. Give its specimen.
2. What are the bases for the apportionment of expenses given below , to the different departments.
3. Depreciation on machinery
4. Canteen expenses
5. Labour welfare expenses
6. Rent on building
7. Sales expenses
8. Electric power.
9. From the following information , re-apportion the services departments expenses to production department.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | Production department | | | Service departments | |
|  | P1 (RS) | P2 (RS) | P3 (RS) | S1 (RS) | S2 (RS) |
| Expenses as per primary distribution | 8,850 | 7,165 | 6,285 | 4,515 | 6,010 |

Apportion the expenses of service department S1 is the proportion of 3:3:4 and the those of service departments S2 is the ratio of 3:1:1 to departments P1 , P2 , and P3 respectively.

1. Calculate direct labour hour rate from the following.

|  |  |
| --- | --- |
| Total no of workers | 100 |
| Idle time | 5 % |
| Working days in a year | 300 |
| Factory overhead | Rs.11,400 |
| No.of. hours per day worked | 8 |
| Gift to workers | Rs.1000 |

1. In a work shop, wage paid Rs.20,000 overhead incurred Rs.8,000 labour hours worked 200.

Find out :

1. Overhead absorption based on hours
2. Overhead percentage based on wages
3. What is machine hour rate? How would you calculate it?
4. In a factory , wage paid Rs.45,000 indirect expenses incurred Rs.27,000 labour hours worked 1000.

Find out :

1. Overhead absorption based on hours
2. Overhead percentage based on wages
3. Why is costing profit reconciliation statement prepared?
4. During the year ended 31st march 1993 the factory over head costs of three production departments of an organisation are as under.

X = Rs. 48,950 Y = Rs.89,200 Z = Rs.64,500

The basis of apportionment of overhead is given below.

Department X = Rs.5 per machine hour for 10000 hours

Department Y = 75 % of direct labour cost of Rs.1,20,000

Department Z = Rs.4 per piece for 15,000 pieces.

Calculate department wise under or over absorption of overheads and present the data in a tabular form.

1. Kumaresh Ltd., has Three production department A , B, C and Two service departments D and E. The following figures are extracted from the records of the company. Rent and rates Rs.5,000, Indirect wages Rs.1,500, Depreciation of machinery Rs.10,000, general lighting Rs.600, power Rs.1,500, Sundries Rs.10,000. Following further details are available.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Particulars | Total | A | B | C | D | E |
| Floor space in square feet | 10,000 | 2,000 | 2,500 | 3,000 | 2,000 | 500 |
| Light points | 60 | 10 | 15 | 20 | 10 | 5 |
| Direct wages (Rs) | 10,000 | 3,000 | 2,000 | 3,000 | 1,500 | 500 |
| H.P. of machines | 150 | 60 | 30 | 50 | 10 | - |
| Value of machinery | 2,50,000 | 60,000 | 80,000 | 1,00,000 | 5,000 | 5,000 |

Apportion the cost to various departments on the most equitable basis by preparing a primary departmental distribution summary.

1. Explain the term under absorption. State any four causes.
2. What do you meant by overheads? How is it classified?
3. What are the two methods of cost reconciliation statements?
4. In a factory, the following particulars were collected for the 3 months. you are required to Re - apportion the service departments expenses to production departments

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Production Department | | | Service Department | |
|  | P1 | P2 | P1 | S1 | S2 |
| Expenses | 8,850 | 7,165 | 6,285 | 4,515 | 6,010 |

Apportion the expenses of service department S2 in proportion of 3:3:4 and those of service departments S1 in the ratio of 3:1:1 to production departments such as P1, P2 and P3.

1. Calculate machine hour rate to cover the overhead expenses indicated below:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | Per hour | Particulars | Per annum |
| Electric power | 75 paise | Repairs | Rs.530 |
| Steam | 10 paise | Rent | Rs.270 |
| Water | 2 paise | Running hours | 2000 |

Original cost of machine was Rs.12,500 . Depriciation 7.5 % per annum.

1. The financial books of a company showed a net profit of Rs.1,28,755 for the year ending 31.12.2014.The cost accounts showed a net profit of Rs.1,72,400 for the same corresponding period.

|  |  |
| --- | --- |
| Particulars | Rs. |
| Under recovery of factory overheads in cost accounts | 3,120 |
| Over recovery of office overhead in cost accounts | 1,700 |
| Depreciation in cost accounts | 12,500 |
| Depreciation in financial accounts | 11,200 |
| Interest on investments not included in cost | 8,000 |
| Loss of obsolescence charged in financial accounts | 5,700 |
| Income tax debited in financial accounts | 40,300 |
| Bank interest credited to financial accounts | 1,225 |
| Loss in stock not charged in cost accounts | 6,750 |
| Prepare a reconciliation statement | |

1. A manufacturing industry has three production departments and two service departments. In march 2010, the department expenses were as follows:

|  |  |
| --- | --- |
| Production department | Service department |
| A - Rs.7,810 | X - Rs.4,000 |
| B - RS.12,543 | Z - Rs.2,600 |
| C - Rs.4,547 |  |

The service departments expenses are charged out on a percentage basis of:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | A | B | C | X | Y |
| Expenses of department X | 30% | 40% | 20% | - | 10% |
| Expenses of department X | 10% | 20% | 50% | 20% | - |

Apportion the service departments’ expenses to the production department under “Repeated Distribution method”

1. From the following details given below, find out profit as per financial accounts.
2. Profit as per cost accounts Rs.1,50,300
3. Factory over heads under charged in cost accounts Rs.8,000
4. Administration overheads under charged in financial accounts Rs.3,000
5. Depreciation overcharged in cost accounts Rs.1,900
6. Interest on deposits Rs.940 f) Bad debts written off Rs.650
7. List out any four items either debit or credit which appears in the financial accounts but don’t appear in the cost accounts.

**PART – C**

1. There are three production department and two service department in a factory. They are A,B,and C production department and service department X and Y.

Department overhead expenses were :

|  |  |  |  |
| --- | --- | --- | --- |
| Production department | Rs. | Service department | Rs |
| A | 630 | X | 450 |
| B | 740 | Y | 200 |
| C | 280 |  |  |

Service department expenses are allocated as

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | Production department | | | Service department | |
|  | A | B | C | X | Y |
| X | 40% | 30% | 20% | - | 10% |
| Y | 30% | 30% | 20% | 20% | - |

Find out the total overhead for A , B , and C under repeated distribution method.

1. Prepare reconciliation statement

Profit as per cost Account Rs.1,50,000.

|  |  |  |
| --- | --- | --- |
| Particulars | Cost account | Financial account |
| Opening stock of raw material | 10,000 | 15,000 |
| Opening stock of finished goods | 18,000 | 16,000 |
| Closing stock of raw material | 12,000 | 13,000 |
| Closing stock of finished goods | 20,000 | 17,000 |

Write off: preliminary expenses Rs.500 and Goodwill Rs.1, 500

Dividend Received Rs.1000

Indirect Expenses :

Financial Account Rs.80, 000 Cost Account Rs.75, 000

1. A company has 3 production departments and 2 service departments and for a period the departmental distribution summary has the following totals.

|  |  |  |  |
| --- | --- | --- | --- |
| Production department | Rs. | Service department | Rs |
| P1 | 800 | S1 | 234 |
| P2 | 700 | S2 | 300 |
| P3 | 500 |  |  |

The expenses of the service departments are charged out on a percentage basis as follows.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | Production department | | | Service department | |
|  | P1 | P2 | P3 | S1 | S2 |
| X | 20% | 40% | 30% | - | 10% |
| Y | 40% | 20% | 20% | 20% | - |

Prepare a statement showing the apportionment of two service departments’ expenses to production department.

1. The following details pertain to the production department of a factory.

Materials consumed Rs.60, 000

Direct wages Rs.40, 000

Machine Hours Rs. 50,000

Labour hours worked Rs. 25,000

Factory overhead relating to the department Rs.50, 000

Calculate overheads absorption rates under different possible methods from the above details.

1. A company has three production departments and two service departments . the following details are submitted.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | Production department  Rs. | | | Service department  Rs. | |
| PRIMARY OVERHESDS | A | B | C | X | Y |
| 15,620 | 25,086 | 9,094 | 8,000 | 5,200 |

The expenses of the service departments X and Y are to be allocated as follows.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particulars | Production department | | | Service department | |
|  | A | B | C | X | Y |
| X | 30% | 40% | 20% | - | 10% |
| Y | 10% | 20% | 50% | 20% | - |

Estimated working hours of production department are as follows:

Department A 1000 hours

Department B 2500 hours

Department C 1,400 hours

Calculate overhead rate per hour repeated distribution method.

1. During the year ended 31st march 2011 , a company’s profit as per financial accounts was Rs.16,624. prepare a reconciliation statements as per cost accounts using the additional information:

Profit and loss account year ended March 31st ,2011

|  |  |  |  |
| --- | --- | --- | --- |
| Debit | Rs | Credit | Rs |
| To opening stock | 2,47,179 | By sales | 3,46,500 |
| To Purchases | 82,154 | By Closing Stock | 75,121 |
| To Direct wages | 23,133 | By sundry income | 316 |
| To Factory overheads | 25,826 |  |  |
| To Administration expenses | 9,845 |  |  |
| To Selling expenses | 22,176 |  |  |
| To Net profit | 16,624 |  |  |
|  | **4,21,937** |  | **4,21,937** |

The costing records show :

1. Closing Stock Rs.78,197
2. Direct wages Rs.24,867
3. Factory overheads absorbed Rs.19,714
4. Administrated expenses calculated @ 3 % of sales
5. Selling expenses absorbed @ 5 % of sales.
6. The modern company is divided into four departments. A ,B,C are producing departments and D is a service department. The actual cost for a period are as follows. Rent Rs.1,000; Repairs to rent Rs.600; Depreciation on plant Rs.450; Employer’s liability for insurance Rs.150; Supervision Rs.1,000; Fire insurance in respect of stock Rs.500; Power Rs.900; Light Rs.120. The following information are available in respect of the 4 departments.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Particulars | Dept. A | Dept. B | Dept. C | Dept. D |
| Area (Sq. meters) | 1,500 | 1,100 | 900 | 500 |
| No. of Employees | 20 | 15 | 10 | 5 |
| Total wages (Rs) | 6,000 | 4,000 | 3,000 | 2,000 |
| Value of plant (Rs) | 24,000 | 18,000 | 12,000 | 6,000 |
| Value of stock (Rs) | 15,000 | 9,000 | 6,000 | - |
| H. P . of plant | 24 | 18 | 12 | 6 |

Apportion the costs of the various departments on the most equitable basis.

1. The product of manufacturing concern passes through Two processes A and B and then to finished stock. It is ascertained that in each process normally 5 % is lost (on total weight) and 10 % scrap which from process A and B realizes Rs.80 per ton and Rs.200 per ton respectively.

Additional information :

|  |  |  |
| --- | --- | --- |
| Particulars | Process A | Process B |
| Materials in tons | 1000 | 50 |
| Cost of material per ton | 125 | 280 |
| Wages (Rs) | 28,000 | 10,000 |
| Manufacturing expenses (Rs) | 8,000 | 5,475 |
| Production (Tons) | 830 | 780 |

Prepare process account.

**PREVIOUS YEAR QUESTION PAPER**

**UNIT - V**

**Part - A - Two Marks**

1. What is meant by job costing?
2. What do you mean by abnormal loss?
3. Mention four industries where process cost is applied.
4. What is contract costing?
5. What is process costing?
6. What is batch costing?
7. Write a short note on completed contracts.
8. What is operating costing?
9. What is work certified?
10. What is running charges?
11. What are standing charges?
12. What is work completed but uncertified?
13. What is abnormal loss?
14. Define Process costing?
15. Define job costing?

**PART - B - FIVE MARKS**

1. What are the objectives of operating costing?
2. From the following particulars related to Job No.120 ascertain the total cost and estimated selling price :

Direct material - Rs.17,600 Direct labour - Rs,8,000

Works overhead are recovered on the basis of 50 % on prime cost and administrative overheads 10 % of works cost. A profit of 10 % on total cost is to be added.

1. In process I , 600 units were introduced @ Rs.20 per unit. The normal process loss 20% of the input. The scrap is sold at Rs.3 per unit . Labour and overhead expenses incurred in the process amounted to Rs.1,320.

500 units were completed and transferred to finished stock account. You are required to show the process account and abnormal gain account.

1. What are the features of Job costing?
2. In process ‘X’ Rs.1,000 valued 100 units were introduced . Wages Rs.800 was incurred in the process. Normal loss is 10 % of the input. The scrap value of normal loss unit is Rs.3 per unit. The out put of process ‘X’ was only 75 units. Prepare process X account.
3. Prepare a process account

Direct material Rs.4,000 Direct Wages Rs. 2,000

Direct expenses Rs.2,000 Indirect expenses 100 % of Direct wages.

1. The following was the expenditure on a contract for Rs.6, 00,000.

Materials Rs.1, 20,000 Wages Rs.1, 64,400 plant Rs.20,000

Business Charges Rs.8, 600

Cash received amounted to Rs.2, 40,000 being 80 % of work certified. Material on hand at the end of the period was Rs.10, 000.Plant is to be depreciated by 10 % . Prepare the contract account.

1. How will you compute profit on uncomputed contract?
2. In process X 1000 units were introduced at a cost of Rs.6,000. Material Rs.5,200. Wages Rs.4,000.Overheads Rs.4,000. The actual out put was 950 units. normal loss 5 % of input. scrap value per unit Rs.4. Prepare process X account.
3. Calculate the profit can be credited to profit and loss account.

Normal profit Rs.79,000 Work certified Rs. 4,00,000

Cash Rs.3,30,000 Contract price Rs.6,00,000.

1. Prepare process account , and calculate abnormal loss.

100 units are introduced into a process at a cost of Rs.4,800 and an expenditure of Rs.2,400 is incurred. From the past experience it is ascertained that wastage normally arises to 15 % of the input. The waste product has a scrap value of Rs.10 per unit. The actual output is 80 units.

1. The demand per annum for a product is 48,000 units. It is produced in batches and the largest size of a single batch is 8000 units. The set up cost per batch is Rs.1,500. The annual inventory carrying cost is Rs.2.25 per units.

Assume average inventory as 50 % of the number of units made in each batch. Selecting 4,6,8,12, and 24 batches per annum , determine annual cost of cash batch and state the optimum number of batches to minimize the total cost.

1. Modern printer under took two jobs during the 1st week of June 1998. the following details are available.

|  |  |  |
| --- | --- | --- |
| Particulars | Job 110 | Job 120 |
| Materials supplies (Rs) | 4,000 | 2,000 |
| Wages paid | 900 | 600 |
| Direct expenses | 200 | 100 |
| Material transfer from job 120 to job 110 | 200 | 200 |
| Material returned to stores | - | 100 |

Find the cost of each job and profit or loss if any assuming the Job 120 is completed and invoiced to the customer at Rs.3, 000.

**PART - C - TEN MARKS**

1. A product is completed in 3 processes . During a particular month the input to Process I of the basic raw material was 5000 units @ Rs.2 per unit. other information for the month :

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Process I** | **Process II** | **Process III** |
| Output (Units) | 4,700 | 4,300 | 4,050 |
| Normal loss as % of input | 5 | 10 | 5 |
| Scrap value per unit (Rs) | 1 | 5 | 6 |
| Direct wages (Rs) | 3,000 | 5,000 | 8,000 |
| Direct Expenses (Rs) | 9,750 | 9,910 | 15,560 |

Overhead Rs.32, 000 chargeable as percentage of direct wages. There were no openings or closing work in progress stock. Complete three process accounts and finished stock account with abnormal loss and gain.

1. Following expenses were incurred on a contract which was started on 1st January . material Rs.40,000 ; wages Rs.50,000; other expenses Rs.15,000; plant Rs.50,000; work certified Rs.1,20,000 ; work uncertified Rs.60,000. Material on hand (at the end) Rs.11,000; plant value (at the end) Rs.43,000; cash received from contractor Rs.1,00,000; material returned to store Rs.2,000.contract price Rs.3,50,000. Prepare contract account.
2. What are the reasons for difference in profit between financial accounts and cost accounts?
3. From the following details prepare a job cost sheet, job number 786.

Direct material Rs.10,000

Direct wages :

Department X 200 hours @ Rs. 50 per hour 10,000

Deapartment Y 300 hours @ Rs.25 per hour 7,500

Variable overhead :

Department X 25,000 for 5000 hours

Deapartment Y 15,000 for 3000 hours

Profit expected 25 % on sales.

1. Prepare a contract account for the two years.

Contract price Rs.10,00,000. The value of plant at the end of 2003 and 2004 was Rs.7,000 and Rs.5,000 respectivly.

|  |  |  |
| --- | --- | --- |
| Particulars | 2003 | 2004 |
| Material used | 3,00,000 | 84,000 |
| Direct wages | 2,30,000 | 1,05,000 |
| Direct expenses | 22,000 | 10,000 |
| Indirect expenses | 6,000 | 1,400 |
| Work certified | 7,50,000 | 10,00,000 |
| Materials at site | 5,000 | 7,000 |
| Work certified | 8,000 | - |
| Plant issued | 14,000 | 2,000 |
| Cash received | 6,00,000 | 10,00,000 |

1. A product passes through two process and then to finished stock. The normal wastage each process is as follows.

Process A 3 % and process B 5 %.

The wastage of Process A was sold @ Rs.5 per unit and that of Process B @ Rs.10 per unit. 20,000 units were introduced into Process A at the beginning of January 1998 at a cost at Rs.40 per unit.

|  |  |  |
| --- | --- | --- |
| Particulars | Process A (Rs) | Process B (Rs) |
| Sundry materials | 40,000 | 60,000 |
| Wages | 2,00,000 | 3,20,000 |
| Manufacturing expenses | 30,000 | 28,500 |

The output of Process A was 19,000 units and that of process B 18,200 units. Prepare the process accounts, Normal loss accounts abnormal loss account and abnormal gain account.

1. A building contract was made at Rs.60,00,000 and the work commenced @ 1st January 2011.

Material spent Rs.15,00,000

Wages paid Rs.12,00,000

plant value (cost) Rs.2,00,000

Other charges Rs.4,00,000

Cash received on account to 31st December 2011, was Rs.30,00,000. Work completed and certified Rs.40,00,000; Work uncertified was Rs.2,00,000. Depreciate plant @ 10 % is charged. Show the contract account.

1. A company undertook a contract for construction of a large building. The following data are related with 31st march 2011.

|  |  |
| --- | --- |
| Particulars | Rs. |
| Contract price | 35,00,000 |
| Work certified | 20,00,000 |
| Progress payment received | 15,00,000 |
| Materials issued | 7,50,000 |
| Planning and estimating cost | 1,00,000 |
| Direct wages | 4,00,000 |
| Materials returned from site | 25,000 |
| Plant hire charges | 1,75,000 |
| Wages related to costs | 50,000 |
| Site office costs | 67,800 |
| Head office expenses | 37,500 |
| Site expenses | 90,200 |
| Work not certified | 14,900 |

The contractors own a plant which originally cost Rs.2,00,000 has been used. The residual value of the plant after 5 years of life is expected to be Rs.50,000. Depreciation is charged under straight line method.

On 31st march 2011 the direct wages amount Rs.27,000 and materials were Rs.20,000. prepare contract account for the year ended 31st march 2011.

\*\*\*\*\*\*\*\*\*\* ALL THE BEST \*\*\*\*\*\*\*\*\*