

**2018**

**COST AND MANAGEMENT ACCOUNTING-I – HONOURS**

**First Paper**

**(CC 2.1 Ch)**

**Full Marks : 80**

*The figures in the margin indicate full marks.*

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

**Group-A**

**(Marks-20)**

1. Define Costing. State three objectives of Cost Accounting. 5

*Or,*

(a) Distinguish between direct cost and indirect cost.

(b) Classify the cost of following items as direct cost or indirect cost:

(i) Ingots used in a foundry for casting;

(ii) Nails used to make furniture;

(iii) Wages of the machine operator;

(iv) Cost of designing the product;

(v) Wages of the shop supervisor;

(vi) Factory rent. 2+3

2. State with reasons the behaviour of following costs and calculate cost for 2,800 units.

| Production | 1,500 units | 2,000 units |
|------------|-------------|-------------|
| Cost-A (₹) | 12,000      | 16,000      |
| Cost-B (₹) | 9,000       | 9,000       |
| Cost-C (₹) | 7,000       | 8,000       |

5

3. A company estimated its cost as below:

Materials – ₹ 14,000; Wages – ₹ 10,000; Factory overhead – 60% of Wages; Administrative & Selling overhead (excluding commission) – 20% of Works Cost.

If Sales commission is 5% on sales and rate of profit is 25% on cost, find the selling price. 5

*Or,*

What is Factory overhead? State the steps to be followed to charge factory overhead to products. 5

**Please Turn Over**

4. (a) What do you mean by composite cost unit? Give two examples.
- (b) A transport company maintains a fleet of 10 trucks for transporting goods from Kolkata to Asansol via Durgapur. The distance from Kolkata to Durgapur is 250 kms. and that from Durgapur to Asansol is 30 kms. Each truck which operates 26 days in a month on an average, starts everyday from Kolkata with a load of 10 tons. It unloads 6 tons at Durgapur and rest of the goods at Asansol. It comes back to Kolkata after getting reloaded with goods weighing 8 tons at Asansol. You are required to calculate cost per ton-km. when the total monthly operating expenses for a truck are ₹ 1,89,540. 2+3

**Group-B**  
(Marks-30)

5. The particulars of receipts and issues of materials in a factory in March, 2018 are as under :

|         |                 |                       |
|---------|-----------------|-----------------------|
| March 1 | Opening balance | 100 kgs @ ₹ 5 per kg. |
| 3       | Purchased       | 200 kgs @ ₹ 6 per kg. |
| 8       | Issued          | 140 kgs               |
| 9       | Purchased       | 100 kgs @ ₹ 7 per kg. |
| 14      | Issued          | 200 kgs               |
| 21      | Purchased       | 250 kgs @ ₹ 8 per kg. |
| 25      | Issued          | 180 kgs               |
| 30      | Shortage        | 20 kgs                |

Prepare Stores Ledger using a suitable method of pricing the issues when the company keeps its stock at current market price. 10

Or,

- (a) State the differences between Bin Card and Stores Ledger.
- (b) Following information are available from the books of a company –  
Annual requirement of material A : 12,000 units @ ₹ 60 p.u.  
Every order costs ₹ 2,000 and inventory carrying charges are 20% on average inventory.  
Safety stock is 20 days consumption and time required to get a new supply is 15 days.  
Find (i) EOQ, (ii) Ordering level, (iii) Minimum level & (iv) Maximum level.  
[assume 1 year = 300 effective days and consumption per day is uniform] 4+6
6. From the following particulars you are required to calculate the amount of wages payable to four workers A, B, C and D.

- (i) Time rate : ₹ 30 per hour.  
(ii) Standard output (per week of 40 hours) : 400 units.  
(iii) Step bonus rate

| Efficiency (%) of Std.) | Bonus (%of time wages)                                   |
|-------------------------|--|
| 60 – 75                 | 2  |
| 75 – 85                 | 5  |
| 86 – 95                 | 10   |
| 96 – 100                | 15   |
| above 100               | additional 2% for every 5% increase over 100% efficiency |

( 3 )

J(2nd Sm.)-Cost &amp; Mgmt. Accounting-I-H-1

- (iv) Production during the said week: A = 280 units; B = 368 units; C = 390 units and D = 440 units.  
 (v) Dearness allowance @ 25% on 'time wage plus bonus' is allowed. 10

Or,

- (a) In a factory it is noted that there has been a wide variation between the records of time keeping and that of time booking. What may be the possible reasons for such variation? How will you treat the cost of such variation in cost accounting?  
 (b) In a factory, a worker has taken 48 hours to complete a job. The works cost of the job is ₹ 8,592. The raw-material cost of the job is ₹ 6,000. Hourly rate of wages is ₹ 30. Production overhead is recovered on the job @ 50% of direct wages. The worker is to get bonus according to Rowan incentive scheme. Calculate the standard time allowed for the job. 5+5
7. (a) What are the reasons for disagreement of profits as per cost accounts and financial accounts?  
 (b) Assuming non-integrated accounting system, pass journal entries in the cost books for the following transactions :

|   | ₹      |  |     |
|---|--------|--|-----|
| (i) Purchase of materials                           | 80,000 |  |     |
| (ii) Issue of material for production               | 50,000 |  |     |
| (iii) Issue of material for repairs and maintenance | 5,000  |  |     |
| (iv) Direct wages charged to production             | 15,000 |  |     |
| (v) Stock destroyed by fire                         | 4,000  |  | 5+5 |

**Group-C**  
(Marks-30)

8. On 01.04.17, B. Ltd. undertook a contract to construct a building for ₹ 20,00,000 and furnishes the following details for the year ended on 31.03.18 :

|   | ₹        |  | ₹         |
|---|----------|--|-----------|
| Materials issued to the contract                          | 4,00,000 | Materials stolen from site                                   | 8,000     |
| Wages incurred  | 5,60,000 | Insurance claim received against above                       | 2,400     |
| Apportioned head office expenses                          | 32,000   | Sale of unused materials costing ₹ 6,700 (treated as normal) | 4,000     |
| Subcontract charges                                       | 24,000   | Materials at site on 31.03.18                                | 16,800    |
| Other works expenses (10% of wages)                       |          | Direct expenses accrued on 31.03.18                          | 1,600     |
| Plant installed at cost                                   | 1,60,000 | Cash received  | 10,24,000 |
| Materials returned to store                               | 5,600    | Retention money  | 20%       |
| Direct expenses   | 8,000    | Cost of uncertified work                                     | 9,600     |
| Cost of plant transferred to another contract on 01.07.17 |          |  | 40,000    |
| Depreciation to be charged on plant @ 15% p.a.            |          |  |           |

Prepare Contract A/c in the books of B. Ltd. and also show the value of WIP. 15

Or,

The product of a manufacturing concern passes through two processes, viz., A and B, and then to finished goods. From the following information prepare Process A Account, Process B Account, Normal Loss Account, Abnormal Loss / Gain Account/s :

|                                | Process A | Process B |
|--------------------------------|-----------|-----------|
| Materials introduced (in tons) | 2,000     | 140       |
| Cost of materials per ton (₹)  | 250       | 400       |
| Output (tons)                  | 1,660     | 1,560     |
| Normal weight loss (%)         | 5         | 5         |
| Scrap (% of total input)       | 10        | 10        |
| Scrap value per ton (₹)        | 160       | 400       |
| Direct wages (₹)               | 1,12,000  | 40,000    |
| Manufacturing expenses (₹)     | 32,000    | 21,000    |

15

9. (a) What do you mean by allocation and apportionment of production overhead? In this connection, which of the following items of production overhead are to be allocated and which are to be apportioned?
- Wages of machine shop supervisor;
  - Repairs and maintenance of assembly department;
  - Salary of factory security staff;
  - Power bill of the factory

3+2

- (b) A company has three production departments – A, B, C and two service departments – X and Y. The following figures are available for one month of 25 working days of 6 effective hours each.

| Particulars             | Total  | Production Department |        |        | Service Deptt. |       |
|-------------------------|--------|-----------------------|--------|--------|----------------|-------|
|                         |        | A                     | B      | C      | X              | Y     |
| Direct Material (₹)     | 10,000 | 1,000                 | 2,000  | 4,000  | 2,000          | 1,000 |
| Direct Wages (₹)        | 30,000 | 5,000                 | 10,000 | 12,000 | 1,000          | 2,000 |
| Supervisor's Salary (₹) | 2,000  |                       |        |        |                |       |
| Rent (₹)                | 1,500  |                       |        |        |                |       |
| Welfare Expenses (₹)    | 1,200  |                       |        |        |                |       |
| Other Expenses (₹)      | 1,800  |                       |        |        |                |       |
| No. of Workers          |        | 10                    | 20     | 25     | 5              | 5     |
| Floor Area (Sq. ft.)    |        | 500                   | 1,000  | 1,500  | 500            | 500   |
| Services rendered by X  |        | 40%                   | 30%    | 20%    | -              | 10%   |
| Services rendered by Y  |        | 50%                   | 20%    | 30%    | -              | -     |

Calculate labour hour rate for each of the production departments, A, B and C.

10