

Seat No. : \_\_\_\_\_

# LA-104

April-2014

F.Y. M.B.A. Sem.-II (Integrated)

## Fundamentals of Cost Accounting

Time : 3 Hours]

[Max. Marks : 100

**Instruction :** Numbers on right indicate marks.

1. (a) Discuss classification of costs in detail. 10
- (b) The following are the transactions in respect of purchase and issue of components forming part of an assembly of a product manufactured by a firm which requires to update its cost of production, very often for bidding tenders and finalizing cost plus contract. 10

Date (2013)	Quantity	Purchase / Issue	Price per Unit
January 1	2500	Opening Stock	at ₹ 1.10 each
5	500	Purchased	at ₹ 1.20 each
13	1000	Issued	—
February 2	750	Purchased	at ₹ 1.30 each
20	1200	Issued	—
25	500	Issued	—
March 10	500	Purchased	at ₹ 1.40 each
25	750	Purchased	at ₹ 1.30 each
29	1000	Issued	—

Prepare Stores Ledger Account as per LIFO and weighted average method.

OR

(b) The particulars relating to 600 kg of a certain raw material purchased by a company during February were as follows : 10

(1) Lot prices quoted by supplier and accepted by the company for placing the purchase order.

Lot up to 500 kg @ ₹ 22 per kg.

Between 500 – 750 kg @ ₹ 20 per kg.

Between 750 – 1000 kg @ ₹ 18 per kg.

Prices are F.O.R. supplier's factory.

(2) Trade discount 20%.

(3) Additional charge for container @ ₹ 10 per drum of 12.5 kg.

(4) Credit allowed on return of containers @ ₹ 8 per drum.

(5) Sales tax @ 10% on raw material and 5% on drum.

(6) Total freight paid by the purchaser ₹ 120.

(7) Insurance at 2.5% (on net invoice value) paid by purchaser.

(8) Stores overhead applied at 5% on total purchase cost of material.

The entire quantity was received and issued to production. The containers were returned in due course. Draw up suitable statement to show :

(i) Total cost of material purchased.

(ii) Unit cost of material issued to production.

2. (a) The following information relates to work force in a factory during the year 2012-2013 : 6

– Number of workers on April 1, 2012 – 7050

– Number of workers on March 31, 2013 – 8550

– Number of workers who quit on their own – 600

– Number of workers who availed golden handshake opportunity – 300

– Number of workers employed during 2012-2013 – 2400 (including those 1900 workers employed due to expansion)

Calculate annual labour turnover rate under different method.

- (b) Standard time allocated for a job is 40 hours and the rate per hour is ₹ 1 plus a dearness allowance @ 0.30 paise per hour worked. Actual time taken by a worker is 30 hours. 4

Calculate earnings under :

- (a) Time-wage system  
 (b) Piece-wage system  
 (c) Halsey plan  
 (d) Rowan plan
- (c) In a manufacturing company the following particulars have been extracted for the year ended 31<sup>st</sup> December, 2012 : 10

Particulars	Production Department			Service Departments	
	P	Q	R	A	B
Direct wages (₹)	15,000	22,500	30,000	7,500	15,000
Direct Materials (₹)	15,000	30,000	30,000	22,500	22,500
Staff Number	150	225	225	75	75
Electricity (kWh)	6000	4500	3000	1500	1500
Asset Value (₹)	6000	4000	3000	1000	1000
Light points	10	16	4	6	4
Area (Square metres)	150	250	50	50	50

The expenses for the period were as follows :

	₹		₹
Power	3,300	Depreciation	90,000
Lighting	600	Repairs	18,000
Stores overheads	2,400	General overheads	36,000
Welfare to staff	9,000	Rent & Taxes	1,650

Apportion the expenses of service department B according to direct wages and those of service Department A in the ratio 5 : 3 : 2 to the production departments only.

**OR**

- (c) From the following particulars, compute Machine Hour Rate : 10

	₹
Cost of Machine	57,400
Installation charges	2,700
Anticipated life of Machine 10 years.	
Residual value at the end of 10 years	2,500
Rent & Rates per annum	6,000
Insurance of Machine per annum	1,500
Repairs & Maintenance per annum	4,320
Consumable stores per annum	600
Total production services per annum	540

Power cost is 5 units per working hour @ 20 paise per unit.

Setting up time (Non productive) 200 hrs p.a.

There are 300 working days of eight hours each in a day.

3. (a) Starshine Ltd. supplies the following information and requires to prepare a cost sheet :

**10**

	₹
Stock of raw materials on 1 <sup>st</sup> September, 2012	1,50,000
Stock of raw materials on 30 <sup>th</sup> September, 2012	1,83,000
Direct wages	1,05,000
Indirect wages	5,500
Sales	4,00,000
Work in progress on 1st September, 2012	56,000
Work in progress on 30 <sup>th</sup> September, 2012	70,000
Purchase of raw materials	1,32,000
Factory rent, rates and power	30,000
Depreciation of plants and machinery	7,000
Expenses on purchases	3,000
Carriage outwards	5,000
Advertising	7,000
Office rent and taxes	5,000
Traveller's wages and commission	13,000
Stock of finished goods on 1st September, 2012	1,08,000
Stock of finished goods on 30 <sup>th</sup> September, 2012	62,000

- (b) Sunmoon Ltd., a construction company, who prepares his accounts on 31<sup>st</sup> December each year, commenced a Contract No. 5178 on 1<sup>st</sup> April, 2013. The costing records concerning the said contract yield the following information at 31<sup>st</sup> December, 2013 : **10**

Materials – ₹ 64,500

Labour – ₹ 1,50,330

Foreman – ₹ 18,930

- A machine costing ₹ 45,000 has been on the site for 73 days. Its working life is estimated at 5 years and its final scrap value at ₹ 3,000.
- A supervisor who is paid ₹ 3,000 per month has devoted approximately one-half of his time to this contract.
- Administration expenses amounted to ₹ 37,830.
- Materials on hand at site on 31<sup>st</sup> December, 2013 cost ₹ 7,440.
- The contract price is ₹ 6,00,000. On 31-12-2013 2/3 of the contract was completed. Architect's certificates had been issued covering ₹ 3,00,000.
- ₹ 2,40,000 has so far been paid on account.

Prepare Contract Account.

4. (a) In a manufacturing concern the output of Process 'A' is transferred to Process 'B'. Normal loss in process 'A' and 'B' is observed to be 5% and 10% respectively. The scrap value of normal wastage is ₹ 20 per unit in Process 'A' and ₹ 30 per unit in Process 'B'. **10**

The expenses were as follows :

	<b>Process A</b>	<b>Process B</b>
	(₹)	(₹)
Materials	10,000	6,000
Wages	9,000	2,000
Manufacturing Expenses	1,000	4,000

In Process 'A' one thousand units were entered a cost of ₹ 10,000. The output of Process 'A' is 900 units and Process 'B' 750 units.

Prepare Process Accounts, Normal Loss, Abnormal Loss/Gain Account.

- (b) Mr. Bean has a contract with his company that he will use his own 4-wheel car for business journeys and will be reimbursed at a fixed rate per kilometer travelled. After allowing for holidays and time spent in the office, it is estimated that he will make 300 business journeys in the course of a year with the average journey covering 50 kms. Bean has provided the following details : 10

- The current price of petrol is ₹ 5 per litre and average of vehicle is 25 kms for every litre.
- Repair costs ₹ 10 per 200 kms.
- Tyres will be renewed every 2000 kms. Each type costs ₹ 20.
- Insurance is ₹ 50 per month which the company agrees to pay it in full.
- License is ₹ 500 per year which the company agrees to pay half of the expense.

Calculate the cost per passenger km and takings assuming 10% profit on takings.

5. (a) Prepare reconciliation statement from following information of Margs Ltd. and find profit as per financial statement from reconciliation statement. 6

Profit as per cost sheet ₹ 50,000.

Particulars	Financial Statements	Cost Sheet
Direct Material	50,000	50,000
Direct Wages	40,000	40,000
Factory Overhead	50,000	45,000
Admin. Overhead	40,000	30,000
Selling & Distribution Overhead	20,000	15,000
Opening Stock	20,000	10,000

Sales of the company during the year amounts to 2,40,000.

- (b) Give Journal Entries for the following transactions in the books of “Mehta and Sons”, who is following integrated accounting system : 7

	₹
(1) Purchase of raw material on credit basis	20,000
(2) Raw material transferred for production	15,000
(3) Payment of Admin. overhead	5,000
(4) Factor overhead under-absorbed	2,000
(5) Sales during the year	3,00,000
(6) Depreciation on Machinery	5,000
(7) Material issued for repairs	3,000

- (c) From the following figures, ascertained from costing records and financial books of a factory, you are required to pass necessary entries in the cost journal (assume that a system of maintaining control accounts prevails in the organization). 7

	₹
Purchases	1,95,000
Carriage Inward	2,925
Stores issued	1,79,400
Productive wages	1,73,160
Unproductive wages	60,840
Works on Cost	1,74,200
Materials used in repairs	1,560
Cost of completed jobs	6,40,315

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