INTRODUCTION TO COSTING

AT. K.T Exam- Mar 2023

Time: 21/2 Hours

Total Marks 75

N.B. (1) All questions are compulsory subject to internal choice.

(2) Figures to the right indicates full marks.

Q 1) (A) Multiple Choice questions: (Any EIGHT)

(8 Marks)

(1) The purpose of Inventory control is___

(a) To control flow of Materials (b) To control invention

(c) To maintain optimum level of inventory (d) None of these.

(2) When the actual overheads is more than the absorbed. It is called as

(a) Over absorption (b) Under absorption (c) Capacity cost (d) None of these.

(3) Interest on investment increases

(a) Costing profit (b) Financial Profit (c) Financial Loss (d) Costing Loss.

(4) Factory Overheads are recovered as ___

(a) % of direct wages (b) % of cost of production (c) % of sales (d) None of the above.

(5) Variable cost change ___.

(a) With change in Fixed Cost (b) With change in selling price

(c) Proportionately with change of output (d) None of the above.

(6) Indirect cost are known as __

(a) Variable cost (b) Fixed cost (c) Overheads (d) None of these.

(7) Labour Turnover is measured by ___

(a) Replacement Method (b) Separation Method (c) Flux Method (d) All of the above.

(8) Deduction allowed as per Payment of wages Act include __

(a) House Rent (b) Income Tax (c) PF Deduction (d) All the above

(9) Under Perpetual Inventory System, stock is ascertained ____

(a) Periodically (b) continuously (c) At the end of the year (d) None of the above.

(10) Payment to other parties is called as ___.

(a) Out of Pocket cost (b) Book cost (c) Future cost (d) Postponable cost.

(B) State whether TRUE/FALSE (Any SEVEN)

(7 Marks)

(1) Carriage inward is an overheads.

(2) Abnormal idle time wages are included in the cost of production.

(3) The term "Allocation" and "Apportionment "have the same meaning in costing.

(4) Financial Accounts give product wise breakup of profit and loss.

(5) Cost accounting is a branch of Financial Accounting.

(6) Stores Ledger is maintained in the cost accounting department.

(7) Purchase Requisition Note is prepared by the Stores department.

(8) Reconciliation of Cost and Financial accounts is necessary in case of non-integrated system of accounts.

(9) Under/over absorption of overheads take place only when pre-determined rate of overheads is used.

(10) Total cost = Prime cost + All Indirect cost.

Q 2) (A) A factory has 3 production departments (P1, P2 and P3) and (15 Marks) 2 Service Departments (S1 and S2). The following overheads and other information are extracted for the Month of January 2012.

| Expenses | Rs. |
|--------------------------|-------|
| Rent | 6,000 |
| Repairs | 3,600 |
| Deprecation | 2,700 |
| Lighting | 600 |
| Supervision | 9,000 |
| Fire Insurance for Stock | 3,000 |
| ESI contribution | 900 |
| Power | 5,400 |



Other Information's:

| Particulars | P1 | P2 | Р3 | P4 | P5 |
|----------------------|--------|--------|--------|--------|----------------|
| Area Sq.Ft. | 400 | 300 | 270 | 150 | 80 |
| Numbers of Workers | 54 | 48 | 36 | 24 | 18 |
| Wages | 18,000 | 15,000 | 12,000 | 9,000 | 6,000 |
| Value of Plant | 72,000 | 54,000 | 48,000 | 6,000 | |
| Stock Value | 45,000 | 27,000 | 18,000 | E-2011 | PVE TO SERVICE |
| Horse Power of Plant | 600 | 400 | 300 | 150 | 50 |

OF

Q 2) (B) From the following, prepare a statement of Reconciliation and find out profit/ loss as per financial records.

(7 Marks)

| Particulars | Rs. |
|--|--------------|
| Net Loss as per cost records | 1,72,400 |
| Works over heads under recovered in costing | 3,120 |
| Administrative overheads over recovered in costing | 1,700 |
| Depreciation in Financial a/c | 11,200 |
| Depreciation in Cost a/c | 12,500 |
| Interest received | 8,750 |
| Obsolescence loss in Financial a/c. | 5,700 |
| Provision for Income tax | 40,300 |
| Opening stock:- | |
| Financial Records | 52,600 |
| Cost records | 54,000 |
| Closing stock:- | ed 16miliode |
| Financial Records | 52,000 |
| Cost records | 49,600 |
| Interest charged in cost account only | 6,000 |
| Preliminary expense written off | 950 |

Q 2) (C) Calculate the earnings of workers A and B under Straight Piece

(8 Marks)

Rate system and Taylor's Differential Piece Rate System from the following particulars:
Normal Rate Per Hour: Rs.1.80 | Standard Time per unit 20 seconds.

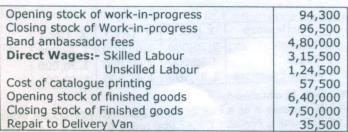
Differentials to be applied:-

80% of the Piece rate below the standard. 120% of the Piece rate above the standard A produced 1,300 units per day of 8 hours and B 1,500 units per day of 8 hours.

Q 3) From the books of accounts of Viburaj Enterprise the following details have been extracted for the year ended 31st March 2011.

(15 Marks)

| Particulars | Rs. |
|--|-----------|
| Corporate Manger's Salary | 11,10,000 |
| Rent of Plant | 1,27,500 |
| Sale of defective Raw Materials | 8,500 |
| Hire charges for special Equipment's | 57,000 |
| Office Rent | 84,700 |
| Purchase of Raw Materials | 4,85,230 |
| Carriage Inwards | 24,325 |
| Indirect Materials | 2,35,600 |
| Office Expenses | 41,000 |
| Insurance premium for stock of Raw Materials | 22,600 |
| Insurance premium for Computer | 12,700 |
| Insurance premium for Delivery Van | 11,500 |
| Opening stock of Raw Materials | 78,175 |
| Closing stock of Raw Materials | 76,230 |
| Sale of Factory scrap | 16,800 |
| Carriage outward | 1,10,000 |
| Depreciation on delivery van | 28,000 |
| Depreciation on Computer | 87,300 |
| Salaries to office staff | 1,15,300 |
| Salaries to Drawing and dressing department | 1,85,700 |





Other Information:-

- (1) The corporate Manager's salary to be apportioned between the Factory and the Office in the ratio of 1:9.
- (2) Selling price is 120% of cost price.

From the above details prepare Cost Sheet showing various elements of cost. OR

Q 3) Swdeshi Electronics Ltd. furnishes the following Information for the year ended 31st March 2004.

| Particulars | Rs./Units |
|--------------------------|--------------|
| Production and Sales | 15,000 Units |
| Sales | Rs.12,75,000 |
| Direct Wages | Rs.2,70,000 |
| Direct materials | Rs.3,30,000 |
| Factory overheads | Rs.2,25,000 |
| Administrative overheads | Rs.1,05,000 |
| Sales overheads | Rs.90,000 |

On account of intense competition following changes are estimated in the subsequent year.

- (1) Production and sales activity will be increased by one third.
- (2) Materials rate will be lower by 25%. However there will increase in consumption by 20% due to quality difference.
- (3) Direct wages cost would be reduced by 20% due to automation.
- (4) Out of the above Factory overheads Rs.45,000 are of fixed nature. The remaining factory expenses are variable in proportion to the number of units produced.
- (5) Total administrative overheads will be lower by 40%.
- (6) Sales overheads per unit would remain same per unit.
- (7) Sale price per unit would be lower by 20%.

Prepare a statement of cost for both the years ending 31st March 2004 and 31st March 2005 showing maximum possible details of cost.

Q 4) K Ltd. has three production departments A, B and C and two Service (15 Marks)

Departments D and E. The following figures are extracted from the records of the company.

| 1 | | | |
|---|-------------------------|-----------|--|
| | Rent & Rates | Rs.5,000 | |
| | Indirect Wages | Rs.1,500 | |
| | General Lighting | Rs.600 | |
| | Power | Rs.1,500 | |
| | Depreciation -Machinery | Rs.10,000 | |
| | Sundries | Rs.10,000 | |

Following further details are available:

| Particulars | Total | A | В | C | D | E |
|---------------------------|----------|--------|--------|----------|-------|-------|
| Floor space (sq m) | 10,000 | 2,000 | 2,500 | 3,000 | 2,000 | 500 |
| Light points | 60 | 10 | 15 | 20 | 10 | 5 |
| Direct Wages | 10,000 | 3,000 | 2,000 | 3,000 | 1,500 | 500 |
| H.P. of Machines | 150 | 60 | 30 | 50 | | |
| Value of Machine (In Rs.) | 2,00,000 | 60,000 | 80,000 | 1,00,000 | 5,000 | 5,000 |

Apportion the cost to various departments on the most equitable basis.

OR

Q 4) The product of the company passes through three distinct processes to completion. These processes are known as X , Y and Z. From the past experience, it is ascertain that wastage is incurred in each process as under: Process – 2%, Process Y- 4%, Process Z – 10%. The wastage at each process possesses scrap value. The wastage of processes X and Y is sold Rs.2.50 per unit and that of Process Z at Rs.5 per unit. The output of each process is transferred to next process and finished units are transferred from process Z into Stock account.

| Particulars | X (Rs.) | Y (Rs.) | Z (Rs.) |
|-----------------|----------|----------|----------|
| Materials | 2,70,000 | 2,60,000 | 1,20,000 |
| Wages | 4,30,000 | 2,40,000 | 1,30,000 |
| Direct Expenses | 1,37,500 | 1,45,000 | 1,60,000 |

The following information is obtained:-

50,000 Units were put into process X at a cost of Rs.10 per unit. The output of each process is as follows:- Process X - 48,750 units, Process Y - 47,000 units, Process Z - 42,000 Units. There is no stock of work-in-progress in any process.

Prepare the process accounts,

Q 5) (A) Enumerate the reasons for differences between Financial Profit and Cost Profits?

(8 Marks)

(B) Explain – cost classification based on nature of production or manufacturing process.

(7 Marks)

Q 5) Write short.note (ANY 3)

(a) Method of costing

(b) Job Costing

(c) Process Costing

(d) Cost of Production

(e) Material costing

OR

(15 Marks)