**Odd Semester, 2020**

( Held in March, 2021 )

COMMERCE

( Honours )

( BC–502 )

**( Cost Accounting )**

*Marks* : 75

*Time* : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Why is Cost Accounting necessary? Mention steps which should be taken to instal Cost Accounting System. 6+9=15

*Or*

Zebra Company is able to obtain quantity discounts on its orders of materials as follows :

| Price per Tonnes (in ₹) | Tonnes |
|---|---|
| 6·00 | Less than 250 |
| 5·90 | 250 and less than 800 |
| 5·80 | 800 and less than 2,000 |
| 5·70 | 2,000 and less than 4,000 |
| 5·60 | 4,000 and above |

The annual demand for the material is 4,000 tonnes. Stock holding costs are 20% of material cost per annum. The delivery cost per order is ₹ 6. You are required to calculate best quantity to order. 15

( **2** )

2. *(a)* Compute the machine hour rate from the following data : 5

    *(i)* Cost of machine—₹ 1,00,000

    *(ii)* Installation charges—₹ 10,000

    *(iii)* Estimated scrap-value after expiry of its life (15 years)—₹ 5,000

    *(iv)* Rent and rates for the shop per month—₹ 200

    *(v)* General lighting per month—₹ 300

    *(vi)* Insurance premium per machine per annum—₹ 960

    *(vii)* Repairs and maintenance expenses per annum—₹ 1,000

    *(viii)* Power consumption—

    10 units per hour

    *(ix)* Rate per 100 units—₹ 20

    *(x)* Shop supervisor's salary per month—₹ 6,000

    *(xi)* Estimated working hour per annum 2200. This include setting up time of 200 hours

    *(xi)* The machine occupies 1/4th of the total area of the shop. The supervisor is expected to devote 1/5th of his time for supervising the machine.

*(b)* Define fixed, variable and semi-variable overheads. 10

*Or*

Define labour turnover. How is it measured? What are its causes? State the effect of High Labour Turnover. How can you control excess Labour Turnover? 2+3+4+3+3=15

**3.** The books and records of *B* Ltd present the following data for the month of March' 20 :

Direct labour cost ₹ 16,000 (160% of factory overhead), Cost of goods sold ₹ 56,000, Inventory accounts showed the following :

| | March 1st | March 31st |
|---|---|---|
| | ₹ | ₹ |
| Raw materials | 8,000 | 8,600 |
| Work-in-progress | 8,000 | 12,000 |
| Finished goods | 14,000 | 18,000 |

Selling expenses ₹ 3,400, general and administration expenses ₹ 2,600, sales for the month ₹ 75,000.

Prepare cost sheet. 15

*Or*

Product *A* is obtained after it passes through three distinct processes. Following information is obtained from the accounts for the month ending 31st March, 2020 :

| | Process | | |
|---|---|---|---|
| Items | I | II | III |
| Materials | 2,600 | 1,980 | 2,962 |
| Wages | 2,000 | 3,000 | 4,000 |

Overhead (100%) of Direct wages.

1000 units @ ₹ 3 each were introduced to process I. There is no work-in-progress at the begining and end of the period. The output of each process passes direct to the next process and finally to finished stores.

| | Process–I | Process–II | Process–III |
|---|---|---|---|
| % of Normal Loss to input | 5% | 10% | 15% |
| Output (in units) during the month | 950 | 840 | 750 |
| Value of scrap per Unit (₹) | 2 | 4 | 5 |

Prepare process cost accounts and other relevant accounts. 15

**4.** *(a)* Distinguish Marginal Costing and Differential Costing. 5

*(b)* Two businesses *X* Ltd. and *Y* Ltd. manufacture and sell the same type of product in the same type of market. The budget Profit and Loss A/c for the coming year are :

| | X Ltd. | | Y Ltd. | |
|---|---|---|---|---|
| Sales | | 30,000 | | 30,000 |
| Less : Variable cost | 24,000 | | 20,000 | |
| Fixed cost | 3,000 | | 7,000 | |
| | | 27,000 | | 27,000 |
| Estimated Profit | | 3,000 | | 3,000 |

You are required to—

(i) calculate the BEP and M/S of each business;

(ii) state which of the business is likely to earn (1) heavy demand for the product and (2) low demand for the product;

(iii) calculate the percentage increase in sales in both the cases to absorb a 50% increase in fixed overhead in both the cases. 10

*Or*

(a) A product is sold at ₹ 100 per unit. Unit variable cost is ₹ 70 and fixed cost amounts to ₹ 24 lakhs per annum. You are required to calculate the following treating each independent of the other :

2×5=10

(i) P/V ratio

(ii) New Break-even-sales if variable cost increases by ₹ 6 per unit, without increasing the selling price.

(iii) Increase in sales if profits are to be increased by ₹ 4·8 lakhs.

(iv) Percentage increase/decrease in sales volume (units) to off-set :

1. An increase of ₹ 6 in the variable cost per unit

2. 10% increase in selling price without affecting existing profit

(b) What is Marginal Costing? State its advantages. 2+3=5

5. The standard cost of a chemical mixture is as under :

8 tons of material *A* at ₹ 40 per ton, 12 tons of material *B* at ₹ 60 per ton. Standard yield is 90% of input.

Actual cost for the period is an under :

10 tons of material *A* at ₹ 30 per ton, 20 tons of material *B* at ₹ 68 per ton. Actual yield is 26·5 tons.

Calculate *(a)* material cost variance *(b)* material usage variance *(c)* material price variance and *(d)* material yield variance. 15

*Or*

(a) Briefly explain different types of budgets. 10

(b) Explain briefly the significance of standard costing as a technique of cost control. 5

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