

# **D.K.M.COLLEGE FOR WOMEN (AUTONOMOUS), VELLORE-1.**

## **ADVANCE COST ACCOUNTING**

**CLASS: II M.COM**

### **SECTION A (6 MARKS)**

1. Define Cost, costing and cost accounting.
2. Explain the nature and scope of cost accounting.
3. Write the objectives of cost accounting.
4. Explain the purpose and functions of cost accounting
5. Write note on elements of cost, overhead and Tenders.
6. Define cost sheet? Explain its purpose.
7. In a factory a standard product is manufactured. Prepare a cost sheet.

Raw-materials consumed	-	Rs.30,000
Labour	-	Rs.60,000

Works overhead is charged a 40% of labour and office overhead is taken at 20% on total cost.

8. From the following prepare a cost sheet.

Raw-materials consumed	-	Rs.40,000
Direct wages	-	Rs.24,000
Machine hours worked	-	4,000(Hrs)
Machine hour rate	-	Rs.2
Administrative overhead	-	5% of works cost
Selling Overheads	-	Rs.0.75 per units
Units produced & sold	-	2000
Selling price per unit	-	Rs.40.

9. A Factory produces 100-units of a commodity, The cost of production is

Materials	-	Rs.10,000
Wages	-	Rs.5,000
D.Expenses	-	Rs. 1,000

Factory overhead – 125% on wages, Office over head 20% on works cost.

Expected profit 25% on sales. Calculate the price to be fixed per unit.

10. The Cost accounts department of a company has supplied the following data, for the supply of 2000 units of a product.

Direct materials – 40,000 tons Rs.5 per ton

Direct wages - 8000 labour hours at 50 per hr.

**Overheads :**

Variables - Factory Rs.10 per labour hour selling Rs.20 per unit

Fixed - Factory Rs.1,00,000, Office Rs.2,00,000.

11. Write note on Abnormal loss, Abnormal gain and Joint Products.  
12. List out the distinctive features of process costing.  
13. What is equivalent- Production? Explain with examples.  
14. What are the advantages of process costing.  
15. Compare and Contrast process costing and job- costing.  
16. What is process costing? List out its limitations.  
17. Samson company produces a product through two process 'R' and 'S'. The following details are available related process –'R'.

<b>Input</b>		<b>Rs.</b>
Materials (500 Units)	-	10,000
Labour	-	8,000
Indirect- expenses	-	7,000

Normal loss in the process is estimated at 5 % of the input which processes scrap value of Rs.31 per unit. Prepare process a/c.

18. Prepare a process a/c from the following materials issued 1000 Kgs @ Rs.200 each.

Wages - Rs. 1,40,000  
Overhead - Rs. 20,000

Normal loss 10% of input. Actual output 800- Kgs.

19. In process – B 75 Units of a commodity were transferred from process-A at a cost of Rs.1310. The additional expenses incurred by the process were Rs.190. 20% of the units entered are normally lost and sold at Rs.4 per unit. The output of the process was Rs.70 units. Prepare process-B a/c.
20. A Company produces 300 units of Product ‘R’ 200 Units of product ‘S’ and 100- Units of product-J from a single process. The cost up to the point of separation amount of Rs.30,000 . You are require to opposition the joint cost of production among the products, using the average cost method.
21. What is Contract costing? Write its features.
22. Write note on retention money? Explain its purpose.
23. Write the meaning of Escalation clause.
24. Write note on cost plus contract, work certified and work uncertified.
25. Explain the different methods of calculating profit on an incompleted contract.
26. Write note on escalation cost, estimated profit and National profit.
27. Following expenditure related to a contract for Rs.6,00,000 ,  
 Commenced in Jan.2011,  
 Materials –Rs. 1,20,000,  
 Wages –Rs.1,64,000,  
 Plants Rs.20,000,  
 Business charges- Rs.8600.  
 Cash received on account of up to 31 Dec 2011. Amounted to Rs.2,40,000 being 80% of work certified. The value of materials on hand was Rs.10,000. Prepare contract a/c for 2011, showing the profit to be credited in P&L a/c. Plant is to be depreciated @10%.
28. From the following you are requested to calculate profit that can be reasonably credited to P&L a/c.

National profit – Rs.84000	Cash received Rs.4,30,000
----------------------------	---------------------------

Work certified – 5,00,000	Contract price Rs.7,00,000
---------------------------	----------------------------

29. The following expenses were incurred on an unfinished contract during the accounting year 2010

Materials Rs.90,000, Wages Rs. 80,000

Other expenses Rs.5000 and Rs.2,00,000

Was received from the contractee, being 80% of the work certified.

Work done but not certified was Rs.5000. Determine the profit to be credited.

30. Enumerate the benefits of standard costing.
31. Write short notes on (a) material mix variance and material yield variance.
32. What are the limitations of standard costing?
33. The actual results of material X- 80 Kgs @ Rs.18 per kg material Y-160 Kgs @ Rs.5 per kg. Actual production were 210 kgs of output.

The standards prevailing for March 99 was

Material X – 50 Kgs @Rs. 10 per kg

Material Y-150 Kgs @ Rs.6 per kg

Calculate material yield variance and material mix variance.

34. Calculate labour rate variance from the following,

**Standard** : 40 - Workers to work for 8- hrs per day in a five week and get paid at Rs.10 per hour.

**Actual** : 43- Workers worked on average 9 hrs per day in the five day week and were paid @ Rs.11 per hour on an average.

35. From the following calculate 1 fixed overhead cost variance, fixed overhead expenditure variance and fixed overhead volume variance.

<b>Particulars</b>	<b>Standard</b>	<b>Actual</b>
Production in units	4,000	3,800
Fixed overhead	40,000	39,000

36. What is cost control? Explain cost control techniques.
37. Write note on spoilage, defective and wastage.
38. What do you understand by Reconciliation of cost and financial accounting.
39. State the reasons for difference in profit revealed by cost and financial account.

**SECTION – B (15 MARKS)**

1. Explain the advantages and disadvantages of Cost accounting.
2. Distinguish between financial and cost accounting.
3. Describe the classification of cost.
4. Explain different types of costing.
5. Explain cost and profit centre.
6. Write the format of cost sheet.
7. Prepare the cost sheet from the following.

		<b>Rs.</b>
Direct Materials	-	1,00,000
Direct wages	-	25,000
Direct expenses	-	5,000
Wages of foremen	-	2,500
Electric power	-	500
<b>Lighting</b> : Factory	-	1,500
Office	-	500
<b>Rent</b> : Factory	-	5,000
Office	-	2,500
Salaries to salesman	-	1,250
Advertising	-	1,250
Income Tax	-	10,000
Sales	-	1,89,500

8. From the following prepare a cost sheet with as many details as possible.

	Rs.
Stock of Materials on – 1Jan 2003	- 20,000
Stock of finished goods on – Jan 2003	- 51,000
Purchase of raw-materials	- 5,80,000
Production wages	- 3,90,000
Sale of finished goods	- 12,10,000
Stock of raw materials on 31 Dec 2003	- 25,000
Works overhead Charges	- 86,000
Office and General Charges	- 70,000
Stock of finished goods on 31 Dec 2003	- 50,000

9. The Accounts of ABC.CO Ltd shows the following

	Rs.
Materials Used	- 7,00,000
Direct Labour	- 5,40,000
Works overhead	- 1,62,000
Establishment	- 1,12,000

What price should the Company quote to manufacture a machine which will require an expenditure of Rs.1,000 in materials and Rs. 800 on wages. So that it will Yield a profit of 20% on selling price? Make necessary assumptions regarding percentages.

10. The following Information has been obtained from the cost records of Aditya Chemicals,

Rs.

Finished goods on 1.1.2008	-	50,000
Raw-Materials on 1.1.2008	-	10,000
Work-in-Progress on 1.1.2008	-	14,000
Direct labour	-	1,60,000
Purchase of raw –Materials	-	98,000
Indirect labour	-	40,000
Heat, light and power	-	20,000
Factory Insurance and taxes	-	5,000
Repairs to plant	-	3,000
Factory Supplies	-	5,000
Depreciation – Factory, building	-	6,000
Depreciation-Plant	-	10,000

Other Information :

Factory cost of goods produced in 2008	-	2, 80,000
Raw- Materials consumed in 2008	-	95,000
Cost of goods sold	-	1,00,000

No Office and administration were incurred during 2008. Prepare Cost sheet.

11. The following details are extracted from costing records of an Oil Mill for the year ended 31 March 2011. Purchase of 5,400 tons of Coconut – Rs.2,20,000.

Particulars	Crushing	Refining	Finishing
Cost of Labour	2,750	1,100	1,650
Electric power	660	396	264
Sunday material	110	2,200	-
Repairs to Machinery	308	363	154

Steam	660	495	495
Factory Expenses	1,452	726	242
Cost of casks	Rs.8250.		

3,200 Tons of Crude oil was produced 2600 tons of Oils produced refining process and 2,250 tons of refined oil was finished for delivery.

Cocount sacks sold Rs.440 ,

1925 tons of coconut sesidue sold- Rs.12,100.

Loss in weight crushing – 275 tons,

500 tons of byproducts obtained from refining process – Rs.7,425.

Prepare relevant process a/c.

12.M.Ltd purchases a material in three consecutive grades – soft, medium and hard.

<b>Particulars</b>	<b>Process –I</b>	<b>Process-II</b>	<b>Process-III</b>
Raw materials used	1000 tons	-	-
Cost per ton (Rs)	200	-	-
Wages (Rs)	87500	39500	10710
Weight lost (% of Output)	5%	10%	20%
Scrap (tons)	50	30	51
Sales price of Scrap(Rs)	350	500	800

Two thirds of the output of process –I and one half of the output of Process-II were passed on to the next process and balance was sold. The entire output of Process-III was sold. Prepare process a/c.



13. From the following data of Kiram processing Industry ltd. Calculate Equivalent production, cost per unit and cost of units completed. Number of units introduced in the process – 4000 number of units completed and transferred to the next process – 3000.

Number of units in process at the end of the period – 800.

Stage of completion :        Materials     -80%  
    Labour         -70%  
    Overheads   -70%

Normal process loss at the end of the process-200 Units,

Value of scrap Rs.1 per unit.

Value of raw-materials Rs.7480.

Wages Rs.10,680 and overheads- Rs.7120

14. A product passes through three process I, II & III from the following prepare process a/c assuming that there was no opening or closing stocks.

<b>Particulars</b>	<b>PROCESS-I</b>	<b>PROCESS-II</b>	<b>PROCESS-III</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
Materials	1000	1500	500
Labour	5000	8000	6500
Overheads	1050	1188	2009
Actual output(Units)	9500	9100	8100
Normal loss	3%	5%	8%

The wastage of Process –I was sold at 25 paise per unit, Process-II at 50 paise per unit and process III at Rs.1 per unit.

Raw-Materials of 10,000 units were introduced into process-I in the beginning @Rs.1 per unit.

1. A Firm of building contractors began to trade on 1 April 2000. The following was expenses on contract for Rs.3,00,000.

Materials issued – Rs.51,000, Plant used Rs.15,000

Wages incurred- Rs.81,000, other expenses –Rs. 5000.

Cash received on account of up to 31 march 2001 amounted to Rs.1,28,000 Being 80% of work certified of the plant and materials charged to the contract, plant which cost Rs.3000 and materials which cost Rs.2000 were lost on 31 March 2001.Plant cost Rs.2000 were returned to stores. The cost of work done but uncertified was Rs.1,000 and materials Rs.2300 were in hand on site.

Charge 15% depreciation on plant. Prepare contract a/c and extract from balance sheet.

2. The following were relates to a building contract for Rs.10,00,000.

<b>Particulars</b>	<b>1986 (Rs.)</b>	<b>1987(Rs.)</b>
Materials issued	- 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
Work uncertified	- 8,000	-
Materials at site	- 5,000	7,000
Cash received	- 6,00,000	10,00,000
Plant issued	- 14,000	2,000

During the period at the end of 1986 and 1987 was Rs.7,000 and Rs.5000 respectively. Prepare Contract a/c.

3. Andal construction ltd undertook a contract on 01.01.2004 for construction of a stadium. With an escalation clause which provides that if material price and wages rates increase by more than 12% the contract gets compensation for 35% of such rise in cost of agreed that since signify of the agreement material prices and wag rate have gone up to 42% on an average. The value of work certified does not take into account of the effect of escalation clause. The following are the details of the contract.

		<b>Rs.</b>
Contract price	-	3,00,000
Materials issued	-	60,000
Wages	-	80,000
Overheads	-	5,000
Plant installed at site	-	10,000
Materials on hand on 31.12.2014 –		5,000
Work certified	-	2,00,000
Cash received	-	1,60,000
Work uncertified	-	5,000

Depreciation on plant 10% per annum .

4. What are the Managerial uses of Variables?
5. How do you set standards for different elements of cost.
6. Define standard cost and standard costing.
7. The standard material cost to produce a tone of chemical X-is

300 Kgs of Material –A @Rs.10

400 Kgs of Material –B@ Rs.5

500 Kgs of Materila –C @ Rs.6

During the period 100 tonnes of chemical X-is produced from mixture of

35 – Tonnes of material A @ Rs.9000 per kg

42- Tonnes of Material B @Rs.6000 per kg

53- Tonnes of materials C @ Rs.7000 per tone.

Calculate material price, Mix and yield variance.

8. The standard time and rate for unit component A. are given below.

Standard hours per unit-15

Standard rate per hour – 4

The Actual Data is as under

Actual production - 1000 Units  
Actual hours - 15300 hrs  
Actual rate - Rs.3.90 per

Calculate a) labour cost variance ,b) Labour efficiency variance c) Labour rate variance.

9. Prepare reconciliation statement from the following Rs.

Net profit as per cost accounts	-	2,00,000
Income-tax	-	60,000
Share transfer fee credited	-	4,000
Provision for doubtful debts	-	20,000
Over heads as per cost accounts	-	34,000
Overheads as per financial accounts	-	28,000
Directors fees	-	8,000
Closing stock in cost accounts	-	7,000
Depreciation charged in financial a/c	-	18,750
Closing stock in financial a/c	-	20,750
Goodwill written off	-	9000
Stores adjustment credit in financial a/c	-	1000
Interest on investment	-	4000