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

**SEMESTER EXAMINATIONS**

**APRIL - 2016 CCO6C**

**COST ACCOUNTING - II**

Time : 3 Hrs Max.Marks : 75

SECTION-A (10 x 2 =20)

**Answer ALL the questions.**

1. What is contract costing?
2. What do you understand by Escalation clause?
3. What are standing charges? Give examples.
4. What do you mean by Equivalent production?
5. State the objectives of joint product costing.
6. How to find abnormal loss and how would you treat it?
7. What is standard costing?
8. Calculate break – even point in units and in rupees from the following particulars:

|  |  |
| --- | --- |
|  | Rs. |
| Fixed expenses | 1,50,000 |
| Variable cost per unit | 10 |
| Selling price cost per unit | 15 |

1. What is make or buy decision making?
2. Given that the cost of standards for materials consumption are 40 kgs of @ Rs.10 p.kg. Compute the variance when actuals are: 48 kgs @ Rs.12 p.kg.

SECTION-B (5 x 5 =25)

**Answer any FIVE of the following questions.**

1. What is job costing? Mention the type of industries in which this system would be suitable and its merits.
2. The contract ledger of a company showed the following particulars in respect of contract no. 50 which was commenced on 1st April, 2006:

|  |  |
| --- | --- |
|  | Rs. |
| Materials issued | 76,000 |
| Direct wages | 80,000 |
| Cost of special plant | 20,000 |
| Chargeable expenses | 7,000 |
| Establishment charges | 5,000 |

The contract was completed by 31st March, 2007 and the contract price was Rs.,2,00,000. The value of material and plant returned to store on 31st March, 2007 was 6,000 and Rs.12,000 respectively. Contract price was received in full on 31st March.

Prepare contract account and contractee’s personal account.

1. Compute the economic batch quantity for a company using batch costing with the following information.

Annual demand for the component - 4,000 units.

Setting up cost - 100

Carrying cost per unit - 10

1. What do you mean by process costing? How normal process loss and abnormal process losses are dealt with cost accounting?
2. A transport service company is running four busses between two towns which are 100 km. apart. The seating capacity of each bus is 40 passengers. The following particulars were obtained from its books for October, 2006.

|  |  |
| --- | --- |
|  | Rs. |
| Wags of drivers, conductors and cleaners | 4,800 |
| Salaries of office staff and Inspectors | 2,000 |
| Diesel oil and lubricants | 8,000 |
| Repairs and maintenance | 1,600 |
| Road tax and insurance | 3,200 |
| Depreciation | 5,200 |
| Interest and other charges | 4,000 |
| Total | 28,800 |

Actual passenger carried were 75% of the seating capacity. All the buses ran for 30

days. Each bus made one round trip per day.

Find out the cost per passenger kilometer.

1. 10,000 units have been used to process ‘A’ at a cost of Rs.20,000. The other expenses are as follows:

|  |  |
| --- | --- |
| Materials | Rs. 15,000 |
| Direct wages | Rs. 25,000 |
| Factory overhead | Rs. 10,000 |

From past experience, it is ascertained that 2% of input is wastage which realises Re.1 per unit. Actual output of process is 9,700 units. Prepare process account, normal wastage A/c and abnormal wastage A/c.

1. The following information relates to production and sales of an article for January and

February.

|  |  |  |
| --- | --- | --- |
|  | January | February |
|  | Rs. | Rs. |
| Sales | 38,000 | 65,000 |
| Profit | - | 3,000 |
| Loss | 2,400 | - |

Calculate

1. Break – even sales volume.
2. Profit or loss at Rs.46,000 sales.
3. Sales to earn a profit of Rs.5,000.
4. Product ‘A’ is estimated to require 10 hours per unit. The standard wage rate is Rs.2 per hour. During May, 2007. 1000 units were produced. Actual time taken was 9,500 hours and the actual wages rate was Rs.2.40 per hours. 100 labour hours were lost due to break – down of machinery. Calculate the various labour variances.

SECTION-C (3 x 10 =30)

**Answer ALL the questions.**

1. (a) What is marginal costing? How does it help in managerial decision making process?

(Or)

(b) A building contractor took a contract for the construction for a certain building on 1st April

2004. The contract price was agreed at Rs.4,00,000. The contractor has made the

following expenditure during the year ended 31st March, 2005.

|  |  |
| --- | --- |
|  | Rs. |
| Direct materials purchases | 40,000 |
| Materials issued from stores | 15,000 |
| Direct Labour | 25,000 |
| Special plant | 40,000 |
| Indirect expenses | 10,000 |
|  | 1,30,000 |

From the following further information, prepare contract account for the year and show the amount of the work – in – progress which will be shown in the balance sheet of the contractor:

|  |  |
| --- | --- |
|  | Rs. |
| Value of plant on 31st March, 2005 | 30,000 |
| Stock of materials on 31st March, 2005 | 5,000 |
| Materials returned to stores | 1,000 |
| Value of certified work | 1,20,000 |
| Cash received form contractoree | 90,000 |
| Cost of uncertified work | 4,000 |

1. (a) The following data are available in respect of process ‘A’ for the month of April, 2007.

Opening work – in – progress - 900 units.

Degree of completion - material 80%, Labour and overhead 60%.

Input of materials during the

Month - 6000 units.

Closing work – in – progress - 700 units.

Degree of completion - material 70%, labour and overhead 60%.

Units transferred to next process - 6,200 units.

Compute equivalent production for the month of April, 2007.

(Or)

(b) From the following particulars, calculate material cost variance, material price variance

and material usage variance.

Name of the product : X.

|  |  |  |
| --- | --- | --- |
|  | Standard | Actual |
| Quantity of material | 500 kg | 450 kg |
| Price of material | Rs.6 per kg | Rs.8 per kg |

1. (a) From the following information, calculate a break – even point showing the effect of price

changes on break – even point and profits:

|  |  |
| --- | --- |
| Actual capacity | 500 units |
| Sales | 400 units |
| Selling price | Rs. 6 per unit |
| Variable cost | Rs. 3 per unit |
| Fixed cost | Rs. 80,000 |

It is of interest for management to know the effect of price changes from Rs. 6 to 5

and Rs. 7.

(Or)

(b) The following details were extracted from the budget for the following year:

|  |  |  |
| --- | --- | --- |
|  | Rs. | Rs. |
| Sales (40,000 units) | 2,40,000 | 7,20,000 |
| Direct materials | 1,60,000 | - |
| Direct Labour | 80,000 | - |
| Variable overheads | 2,00,000 | 6,80,000 |
| Net profit |  | 40,000 |

In order to improve the amount of net profit budgeted, it is proposed to reduce the selling price from Rs.9 to Rs.8 per unit. It is anticipated that if this reduction is made, the volume of sale would increase by 30,000 units. Assuming that if the selling price was reduced as suggested, calculate the net profit that will be achieved.

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