

## **QUESTION 2011**

### **Group - A**

#### **(Multiple Choice Type Questions)**

1. Choose the correct alternatives for the followings:

i) Fixed cost per unit increases when

- a) production increases
- ✓ b) production decreases
- c) variable cost per unit decreases
- d) prime cost per unit decreases.

ii) Indirect costs can also be described as

- ✓ a) overhead costs
- b) prime costs
- c) variables costs
- d) total costs

iii) Economic order quantity (EOQ) model is used by a business to

- a) minimise the cost of placing orders
- b) minimise the unit purchase price of inventory
- ✓ c) minimise the combined costs of placing orders and carrying inventory
- d) minimise the required amount of safety stock

iv) Welfare expenses will be shown in the cost sheet under

- a) Selling overhead
- b) Administrative overhead
- c) Office overhead
- ✓ d) Works overhead

v) A business's telephone bill should normally be classified into which one of the following categories?

- a) Fixed cost
- b) Stepped fixed cost
- ✓ c) Semi-variable cost
- d) Variable cost

vi) In the perpetual inventory system stocktaking

- a) is not done ever
- b) is periodical
- c) is at the time of winding up
- ✓ d) is continuous

vii) Closing stock is valued at cost or market price, whichever is

- a) higher
- ✓ b) lower
- c) convenient to the management
- d) appealing to the account

viii) When LIFO method is in use, the closing inventory is valued at

- a) current market prices
- b) most recent cost paid
- c) older prices paid
- ✓ d) prices furthest from actual cost

ix) Which of the following expenditures are included in prime cost?

a) Direct wages

b) Direct wages & indirect wages

c) All expenses

d) None of these

x) Factory overhead includes

a) depreciation of plant & machinery

b) depreciation of furniture

c) direct expenses

✓d) none of these

xi) Bin card is maintained by

✓a) Store keeper

b) Accountant

c) Cost accountant

d) Auditors

xii) Which of the following manufacturing industries has the application of process costing?

a) Chemicals

✓b) Cement

c) Steel

d) All of these

### Group - B

(Short Answer Type Questions)

2. State the essential characteristic of a good cost accounting system.

See Topic: INTRODUCTION, Short Answer Type Question No. 3.

3. Discuss the advantages and disadvantages of FIFO method.

See Topic: ACCOUNTING FOR MATERIAL, Short Answer Type Question No. 5.

4. Write a short note on Labour turnover?

See Topic: ACCOUNTING FOR LABOUR, Short Answer Type Question No. 1.

5. A worker takes 6 hours to complete a job under a scheme of payment by results:

Standard time allowed for the job is 9 hours. His wages rate is Rs. 1.50 per hour. Material cost of the job is Rs.16 and overhead is recovered at 200% of the total direct wages. Calculate the factory cost by

a) Rowan plan    b) Halsey plan

See Topic: ACCOUNTING FOR LABOUR, Short Answer Type Question No. 4.

6. From the following particulars prepare a cost sheet for the year ended 31/03/2011:

	01.04.2010	31.03.2011
Raw materials	Rs. 16,000	Rs. 19,600
W-I-P	Rs. 12,600	Rs. 4,600
Finished Goods (at cost)	Rs. 16,400	
	(3,000 units)	(2,500 units)

Purchase of raw materials Rs. 1,11,600. Sale of finished goods Rs. 2,83,500 (40500 units). Productive wages Rs. 67,200. Office and administrative expenses Rs. 20,800. Selling and distribution expense 50 paise per unit sold.

Machine hours worked 8000 hrs and machine hour rate Rs. 2.50 per hour.

Assume that sales are made on the basis of FIFO principle.

See Topic: INTRODUCTION, Short Answer Type Question No. 4.

**Group – C**

**(Long Answer Type Questions)**

7. The following are the particulars in respect of Contract No. B 83 for the year ended 31.12.2010.

Prepare Contract Accounts.

Materials sent to site Rs. 1, 50,000, Wages paid Rs. 1, 80,000, Wages unpaid Rs. 3,000, other expenses Rs. 26,000; Plant sent to site Rs. 2, 00,000, Materials return to store Rs. 5,000, Materials lying unconsumed Rs. 8,000, Materials stolen from site Rs. 10,000, Insurance claim admitted for material stolen Rs. 7,000, Work uncertified Rs. 11,000 and Cash received Rs. 3, 60,000.

Plant is subject to depreciation @ 7.5% p.a. and cash received to the extent of 90% of work certified.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 7.

8. a) What is ABC analysis? Explain with examples.

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 5.

b) The following direct costs were incurred on Job No. 415 of standard T.V. Company.

Materials Rs. 6,010

Wages:

Dept:

A – 60 hours @ Rs. 30 per hour

B – 40 hours @ Rs. 20 per hour

C – 20 hours @ Rs. 50 per hour.

Overheads for these departments were estimated as follows:

Variable overheads:

Dept:

A Rs. 15,000 for 1,500 labour hours

B Rs. 4,000 for 200 labour hours

C Rs. 12,000 for 300 labour hours

Fixed overheads:

Estimated at Rs. 40,000 for 2,000 normal working hours.

You are required to calculate the cost of Job No. 415 and calculate the price to give profit of 25% on selling price.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 8.

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9. a) What do you mean by EOQ and safety stock?

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 6(a).

b) A company uses three types of Materials A, B and C for production of P, the final product. The relevant data for the components are given below:

	A	B	C
Normal usage (units)	200	150	180
Minimum usage (units)	100	100	90
Maximum usage (units)	300	250	270
Reorder quantity (units)	750	900	720
Reorder period (months)	2-3	3-4	2-3

Calculate for each material:

i) Maximum level

ii) Reorder level

iii) Minimum level

iv) Average stock

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 6(b).

10. The New Enterprises Ltd. has three production departments A, B and C and two other departments D and E. The following figures are extracted from the records of the company:

Rent and rates	Rs. 5,000
General lighting	Rs. 600
Indirect wages	Rs. 1,500
Power	Rs. 1,500
Depreciation on machinery	Rs. 10,000
Sundries	Rs. 10,000

The following further details are available:

	Total	A	B	C	D	E
Floor space (sq.ft.)	10,000	2,000	2,500	3,000	2,000	500
Light points	60	10	15	20	10	5
Direct wages (Rs.)	10,000	3,000	2,000	3,000	1,500	500
H.P. of machines	150	60	50	50	10	---
Value of machinery (Rs.)	2,50,000	60,000	80,000	1,00,000	5,000	5,000
Working hours		6,226	4,028	4,066	---	---

The expenses of D and E are allocated as follows:

	A	B	C	D	E
D	20%	30%	40%	---	10%
E	40%	20%	30%	10%	---

Calculate the absorption rates for departments A, B and C.

FINANCIAL MANAGEMENT-II

What is the total cost of an article if its material cost is Rs. 50, labour cost Rs. 30 and it passes through departments A, B and C for 4, 5 and 3 hours respectively?

**See Topic: ACCOUNTING FOR OVERHEADS, Long Answer Type Question No. 5.**

11. a) What steps are taken to install a sound cost accounting system in a multilocal manufacturing company?

**See Topic: INTRODUCTION, Long Answer Type Question No. 2.**

b) State logically the importance of using process costing in petro-processing industry (the refineries and ancillary industries).

**See Topic: COST ASCERTAINMENT, Short Answer Type Question No. 5.**

12. Write short notes on any three of the following:

- a) Carrying costs
- b) Joint products and by products
- c) Under and over absorption of overheads
- d) Machine hour rate
- e) Lead time.

**a) See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 7.**

**b) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15(f).**

**c) See Topic: ACCOUNTING FOR OVERHEADS, Long Answer Type Question No. 8(a).**

**d) See Topic: ACCOUNTING FOR OVERHEADS, Long Answer Type Question No. 8(b).**

**e) See Topic: ACCOUNTING FOR LABOUR, Long Answer Type Question No. 6(b).**