

QUESTION 2012

Group - A

(Multiple Choice Type Questions)

1. Choose the correct alternatives for any ten of the following:
- i) The method which is most suitable in times of falling prices is known as
- a) LIFO Method
 - ✓ b) FIFO Method
 - c) Simple Average Method
 - d) Weighted Average Method
- ii) takes place when a stock shortage occurs and includes the cost of idle machines.
- a) Conversion cost
 - ✓ b) Out of stock cost
 - c) Policy cost
 - d) Discretionary cost
- iii) FNSD Analysis stands for
- a) Full-Normal-Slow-Dormant
 - b) Fast-Normal-Slow-Dead
 - ✓ c) Fast-Normal-Slow-Dormant
 - d) First-Normal-Slow-Dead

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- iv) Retention money represents
- a) Difference between value of work certified and cash received
 - b) Only cash received
 - c) Difference between cost of work certified and cash received
 - d) None of these
- v) Prime cost account consists of the amount paid for
- a) Direct materials
 - b) Direct Labour
 - c) Direct materials, Direct Labour and Direct expenses
 - d) Salaries and wages.
- vi) The time gap between placing an order and getting the same is called
- a) Danger time
 - b) Lead Time
 - c) Ideal Time
 - d) None of these
- vii) Who is known as the 'Father of Scientific Management'?
- a) F. W. Taylor
 - b) Henry Fayol
 - c) Drucker
 - d) Parker Fallet
- viii) Which of the following is not a method for secondary apportionment of overhead on reciprocal basis?
- a) Repeated distribution method
 - b) Steps method
 - c) Trial and error method
- ix) Operating costing is applicable in case of
- a) Manufacturing industry
 - b) Service industry
 - c) Transport sector
 - d) None of these
- x) Cost unit in case of passenger transport is
- a) Passenger-kilometer
 - b) Kilowatt-hour
 - c) Ton-kilometer
 - d) none of these
- xi) Process costing is applicable
- a) For accounting of construction work
 - b) For manufacturing industry where raw materials are converted into finished goods through some processes
 - c) In any industry
 - d) None of these
- xii) Retention money in respect of a contract represents
- a) Difference between value of work certified and cash received
 - b) Only cash received
 - c) Difference between cost of work certified and cash received
 - d) None of these

Group – B

(Short Answer Type Questions)

2. During a certain week in the month of September 2010, a worker manufactured 300 articles, Working hours during a week are 48 hours, standard rate of work is Rs. 5.00 per hour and standard time to manufacture an article is 15 minutes. Calculate his gross wages for the week according to

- a) Piece work with guaranteed weekly wages
- b) Roswan Premium Bonus Plan
- c) Halsey Premium Bonus Plan

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

3. Explain the concept of Material control. State how Perpetual Inventory System helps in achieving the objectives of material control.

See Topic: ACCOUNTING FOR MATERIAL, Short Answer Type Question No. 6.

4. Calculate Direct Labour Hour Rate from the following:

Total No. of workers	100
Working days in a year	300
No. of hours per day worked	8
Short and Idle time	5%
Factory Overheads	Rs. 14,000

See Topic: ACCOUNTING FOR LABOUR, Short Answer Type Question No. 6.

5. From the following data given by the Personnel Department, calculate the Labour turnover rate by applying:

- a) Separation Method
- b) Replacement Method
- c) Flux Method

Number of workers on the payroll at the beginning of the month 900

Number of workers on the payroll at the end of the month 1,100

During the month 10 workers left, 40 workers were discharged and 150 workers were recruited. Of these 25 workers are recruited in the vacancies of those leaving. While the rest were engaged for an expansion scheme.

See Topic: ACCOUNTING FOR LABOUR, Short Answer Type Question No. 7.

6. Prepare a Cost sheet in respect of the following information:

	Rs.
Direct Materials	50,000
Direct Wages	30,000
Direct Expenses	?
Opening work-in-progress	30,000
Closing work-in-progress	20,000

Other relevant information:

a) Sales: 10,000 units @ Rs. 20 per unit

b) Profit: 25% on cost

c) Administrative overheads were equal to the selling overhead which amounted to Re 1 per unit sold

d) Works cost was 140% of the Prime Cost.

See Topic: INTRODUCTION, Short Answer Type Question No. 1.

Group – C

(Long Answer Type Questions)

7. a) State the distinction between Financial Accounting and Cost Accounting.

See Topic: INTRODUCTION, Short Answer Type Question No. 1.

b) The following particulars have been obtained from the cost records for the year 2010:

	Rs.
Materials used in manufacturing	1,10,000
Materials used in primary packing	20,000
Materials used in selling the product	3,000
Materials used in the factory	1,500
Productive Wages	30,000
Factory Supervision expenses	4,000
Materials used for office	2,500
Chargeable expenses	10,000
Indirect expenses – factory	2,000
Administrative expenses	3,000
Depreciation on Factory Building	3,500
Depreciation of Office Building	1,500
Freight on materials purchased	5,000
Depreciation on Delivery Van	1,000
Salary paid to the driver of the Delivery Van	3,600
Advertisement	2,000
Bad Debt	1,500

Assume that all products manufactured during the year have been sold to earn a profit of 20% on selling price. Compute Cost Sheet from the above information; also calculate the profit for the year 2010.

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

8. Sriram Enterprise Manufactures special product 'ZED'. The following particulars were collected for the year 2010:

Annual Consumption	18,000 units (p.a.)
Cost per unit	Rs. 1.5
Cost of planning order and processing the delivery	Rs. 12 per order
Inventory carrying cost	20% of unit value
Re-ordering Period	4-6 weeks
Maximum consumption	300 units
Minimum consumption	200 units
Normal consumption	250 units

Compute from the above:

- i) Re-order Quantity
- ii) Re-order Level
- iii) Minimum Level
- iv) Maximum Level
- v) Average Stock Level

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 8.

9. a) State the difference between FIFO and LIFO method.

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 9(a).

b) The following information relate to contract A1 as at 31st December 2010.

	Rs.
Wages	42,000
Materials direct to site	54,000
Materials transferred to River view site	1,500
Plant purchased at cost	12,500
Plant transferred from River view site	5,300
Sub-contractors charges	19,500
Site expenses (power etc.)	5,000
Materials on site (31.12.10)	18,300
Plant on site (31.12.10)	14,750
Prepayments at 31.12.10	500
Accrued wages at 31.12.10	920
Cost of work done but not certified at 31.12.10	7,250
Head office charges are 10% of wages	
Materials from stores	650

The contract value is Rs. 5,50,000. From the above information prepare the Contract Account for the year ended 31 December, 2010 clearly showing the profit for the year. values of work certified

by the architect was Rs. 1,37,500 and the contractor had made progress payments of this amount less 15% agreed retention percentage.

See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 9(b).

10. A product passes through process I and II. The normal wastage is 5% and 10% respectively. The wastage of Process I is sold at Re. 1.00 per unit and that of Process II at Rs. 2.00 per unit. 10,000 of crude materials were introduced in process I @ Rs. 2 per unit. The other expenses were:

	Process I Rs.	Process II Rs.
Materials Consumed	2,000	4,000
Wages	6,000	8,000
Overheads	3,000	4,000

The output of each process had been as follows:

Process I – 8,500 and Process II – 7,800.

Prepare Process Account and Abnormal Loss Account and Abnormal Gain A/c.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 9.

11. a) Define Operating costing along with some applications of Operating costing.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 10(a).

b) A transport company runs 5 buses between two places covering a distance of 25 kms. Seating capacity of each bus is 50 passengers. Generally 80% seating capacity is utilized in each bus. All buses run 25 days a month each making 4 round trips daily. If total Operating cost during a month for all the 5 buses is Rs. 16 lakhs and profit on taking is assumed to be 20%, calculate the bus fare to be charged for each passenger-km.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 10(b).

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

- Sunk cost
- Target costing
- Recognition of profit in Contract Costing
- Escalation clause
- Batch costing.

a) See Topic: INTRODUCTION, Long Answer Type Question No. 5(d).

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

c) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15(h).

d) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15(i).

e) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15(j).