

**QUESTION 2013**

## Group – A

## (Multiple Choice Type Questions)

1. Choose the correct alternatives for any *ten* of the following:

i) Which method of costing is used in a specialty nursing home to measure cost of various services?

a) operating costing

b) standard costing

c) multiple costing

d) absorption costing

ii) Prime cost is sum total of

a) direct labour and direct material

b) indirect labour and direct material

c) direct labour, direct expenses and direct material

d) direct material, direct labour and indirect expenses

iii) Salary of supervisor is mostly considered as a

a) factory overhead

b) selling and distribution overhead

c) variable cost

d) direct cost

iv) The investment on land and factory shed of a bread factory may be considered as

a) imputed cost

b) historical cost

c) sunk cost

d) opportunity cost

v) In which of the following methods of pricing, costs lag behind the current economic value during inflationary conditions?

a) LIFO

b) FIFO

c) replacement price

d) weighted price

vi) Bin card is maintained by

a) store keepers

b) auditors

c) cost accountants

d) gatekeepers of warehouses and godowns

vii) If the work certified is more than 50%, but less than 75% of the contract price

a) no profit should be credited

b) 1/3 of notional profit is called

c) 2/3 of notional profit is credited

d) full amount of profit is to be credited anticipation



## POPULAR PUBLICATIONS

- viii) When prices fluctuate widely, the method that would help to smooth out the fluctuations is
- a) simple average
  - ✓ b) weighted average
  - c) moving average
  - d) rhythmic average
- ix) Labour turnover is measured by
- a) number of workers replaced / average number of workers
  - b) number of workers left / number of workers in the beginning plus number at the end
  - c) number of workers joining / number in the beginning of the period
  - ✓ d) number of workers left / average number of workers during the peak manufacturing period
- x) Packaging cost is treated as a
- a) production cost
  - ✓ b) selling cost
  - c) distribution cost
  - d) cost of raw materials
- xi) Which of the following manufacturing industries applies process costing?
- a) real estate
  - b) printing
  - c) marble flooring
  - ✓ d) petroleum refinery
- xii) The variants of job costing are
- ✓ a) contract costing and batch costing
  - b) process costing and batch costing
  - c) operating costing and process costing
  - d) direct costing and indirect costing

### Group – B

#### (Short Answer Type Questions)

2. What are the characteristics of an Ideal Costing system in Retail industry?

See Topic: INTRODUCTION, Short Answer Type Question No. 6.

3. During a certain week in the month of August 2013, a worker manufactured 300 articles. Working hours during a week are of 48 hours, standard rate 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) Halsey Premium Bonus Plan
- b) Rowan Premium Bonus Plan.

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

4. What do you understand by material control? Explain the need for material control in a printing press.

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

5. State the difference between Job costing and Contract costing.

See Topic: COST ASCERTAINMENT, Short Answer Type Question No. 1.



6. How do you differentiate between Integral and non-Integral systems of keeping cost records?

See Topic: COST RECORDS, Short Answer Type Question No. 2.

**Group - C**

**(Long Answer Type Questions)**

7. a) How does the concept of "Economic Order Quantity" (EOQ) help manufacturing companies to cut costs? State the assumptions taken while applying the EOQ.

b) Sun Ltd. provides you the following information:

Reorder level	-	64,000 units
Reorder quantity	-	40,000 units
Minimum stock level	-	34,000 units
Maximum stock level	-	94,000 units

Average lead time in the past has been 2.5 days.

The difference between maximum and minimum lead time is 3 days.

Determine the maximum and minimum Usage Rate per day.

c) What do you mean by safety stock?

a) 1<sup>st</sup> Part: See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 4.

2<sup>nd</sup> Part: See Topic: ACCOUNTING FOR MATERIAL, Short Answer Type Question No. 1(2<sup>nd</sup> part).

b) See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 10.

c) See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 6.(a) (2<sup>nd</sup> part).

8. Solaris Ltd. produces a product "Z" which passes through two distinct processes – Process A and Process B. On completion, it is transferred to finished stock. From the following information relating to the year 2012-2013, prepare the process accounts and finished stock account.

Particulars	Process A	Process B
Raw material used	1000 units	
Cost per unit	Rs. 200	
Transfer to the next process/finished stock	940 units	870 units
Normal Loss (on inputs)	5%	10%
Direct wages	Rs. 15,600	Rs. 13,200
Direct expenses	75% of direct wages	75% of direct wages
Sundry expenses	Nil	Rs. 2,954
Realizable value of scrap per unit	Rs. 4.50	Rs. 5.75

800 units of finished goods were sold at a profit of 20% on cost. Assume that there was no opening or closing stock of work-in-progress.

See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 11.

9. The following are the particulars in respect of Contract No. C231 for the year ended 31.12.2012. Prepare the Contract Accounts.



## POPULAR PUBLICATIONS

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 returned to store Rs. 5,000, Materials lying unconsumed Rs. 8,000, Material 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.

10. a) Form the following information, calculate the labour turnover rate under Replacement method:

Separation method and flux method:

Number of workers at the beginning of the year – 3,800

Number of workers at the end of the year – 4,200

During the year 40 workers leave while 160 workers are discharged. 600 workers are required during the year. Of these 150 workers are required because of leavers and the rest are engaged in accordance with an expansion scheme.

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

b) From the following data prepare a reconciliation statement for a detergent manufacturing unit:

	Rs.
Profit as per Cost accounts	1,50,000
Works overhead under-recovered	10,000
Administrative overheads under-recovered	25,000
Selling overheads over-recovered	19,000
Over-valuation of opening stock in Cost accounts	15,000
Under-valuation of closing stock in Cost accounts	8,000
Interest earned during the year	3,500
Rent received during the year	28,000
Bad debts written off during the year	9,500
Preliminary expenses written-off during year	18,500

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

11. Write short notes on any *three* of the following:

- Cost audit
- Idle time
- Under-absorption of overheads
- Cost accounting treatment of by-products
- Abnormal gain in process costing.

FINANCIAL MANAGEMENT-II

- a) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 5.(e).
- b) See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 11.
- c) See Topic: ACCOUNTING FOR OVERHEADS, Long Answer Type Question No. 8.(c).
- d) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15.(k).
- e) See Topic: COST ASCERTAINMENT, Long Answer Type Question No. 15.(l).