

## QUESTION 2014

### Group - A

#### (Multiple Choice Type Questions)

1. Answer any ten questions:

i) Clock card is used for

- a) time booking  
c) idle time recording  
✓ b) time keeping  
d) calculating wages of daily workers

ii) Most suitable basis of apportionment of Factory Rent to Production Dept. is

- ✓ a) floor area  
b) horse power  
c) number of workmen  
d) number of light points

iii) Aggregate of Indirect costs of all elements of cost is

- ✓ a) prime cost  
b) overhead cost  
c) work cost  
d) cost of sales

iv) Identify the method of payment of incentive

- a) pay packet scheme  
c) compensation scheme  
✓ b) Rowan scheme  
d) none of these

v) Which method of pricing of materials issues closely resembles the current market price of inventory?

- a) FIFO  
✓ b) LIFO  
c) Weighted Average  
d) HIFO

vi) Carriage outwards is an item of

- ✓ a) selling and distribution overhead  
b) factory overhead  
c) administrative overhead  
d) mixed overhead

vii) An overhead absorption rate of Rs. 12 per direct labour hour was established based on a budget of 2100 hours. Actual direct labour hours worked were 2180 and the actual overhead expenditure was Rs. 25470. What was the over/under absorption of overhead?

- a) Rs. 690 overabsorbed  
b) Rs. 270 underabsorbed  
✓ c) Rs. 960 overabsorbed  
d) Rs. 960 underabsorbed

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- viii) Cost of production is equal to
- a) works cost plus administration overheads
  - ✓ b) prime cost plus works cost
  - c) prime cost plus works overhead
  - d) works overhead plus administration overhead
- ix) In job order costing the basic document to accumulate the cost of each job is the:
- a) invoice
  - ✓ c) requisition sheet
  - b) purchase order
  - d) job-cost-sheet
- x) Process costing is used in
- ✓ a) cotton-textile
  - c) Hospital outdoor patient department
  - b) road repair
  - d) repair shop
- xi) In ABC analysis, A category indicates the item of material carrying 10-20% of the total cost
- a) 10-20% of the total cost
  - c) 5-10% of the total cost
  - ✓ b) 70-85% of the total cost
  - d) none of these
- xii) Which of the following should be classified as a production cost incurred by manufacturing company?
- a) commission and bonus pay to salesman
  - b) office administration expenses
  - c) promotional and advertisement expenses
  - ✓ d) wages and salaries to the workers that pack and inspect goods.

### **Group – B**

#### **(Short Answer Type Questions)**

2. Distinguish between cost accounting and financial accounting.

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

3. What is labour turnover? What are the causes of it?

See Topic: **ACCOUNTING FOR LABOUR**, Short Answer Type Question Nos. 1 and 3.

4. A manufacturer sells 75,000 units of a particular material per year. The material cost is Rs. 1.50 per unit and the carrying cost is estimated to be 25% p.a. of average inventory cost. The cost of placing an order is Rs. 18.

You are required to determine the EOQ and frequency of order p.a.

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

5. Distinguish between job costing and contract costing.

See Topic: **COST ASCERTAINMENT**, Short Answer Type Question Nos. 1.

6. What do you understand by over and under absorption of overhead? How are they treated in cost accounting?

See Topic: ACCOUNTING FOR OVERHEAD, Short Answer Type Question Nos. 1.

**Group – C**

**(Long Answer Type Questions)**

7. Y Ltd. produces a single product which undergoes two processes. From the following information prepare Process Accounts, Normal Loss Account, Abnormal Loss Account and Abnormal Gain Account.

DETAILS	PROCESSES	
	A	B
Raw materials issued (3000) (in Rs.)	15000	–
Additional materials (in Rs.)	1000	780
Direct wages (in Rs.)	14000	20000
Production Overhead (in Rs.)	3000	7500
Normal loss as % of input	10%	5%
Scrap Value per unit (in Rs.)	2	5
Output in units	2800	2600

See Topic: COST ASCERTAINMENT, Long Answer Type Question Nos. 12.

8. The following are the particulars in respect of contract No B96 for the year ended 31.12.2013. Prepare a Contract Account.

	Amount (in Rs)		Amount (in Rs)
Contract price	800000	Materials returned to stores	5000
Materials sent to site	150000	Material lying unconsumed	8000
Wages Paid	180000	Materials stolen from site	10000
Wages unpaid	3000	Insurance claim (admitted for materials stolen)	7000
Plant sent to site	200000	Work certified	11000
Cash received	360000	Other expenses	26000

Plant is subject to a depreciation of 7.50% p.a. and cash has been received to the extent of 90% of work certified.

See Topic: COST ASCERTAINMENT, Long Answer Type Question Nos. 7.

9. a) A company operates a financial accounting system and a cost accounting system. Extracts from the both financial and cost accounts for the year are shown below. You are required to prepare a reconciliation statement or account

The final financial accounts included the following:

	Rs.
	20,000
Debenture interest	10,000
Interest received	9,000
Discount received	24,000
Discount allowed	5,70,000
Net Profit	

Stock Valuations	Opening in Rs	Closing in Rs
Raw materials	1,52,000	1,98,000
Work-in-progress	66,000	72,000
Finished good	84,000	87,000

The final cost accounts included the following:

	Rs.
	90,000
Interest on capital	60,000
Notional Rent	20,000
Administration overhead over-absorbed	25,000
Production overhead under-absorbed	24,000
Selling and distribution overhead over-absorbed	

Stock Valuations	Opening in Rs	Closing in Rs
Raw materials	1,64,000	1,87,000
Work-in-progress	61,000	68,000
Finished good	90,000	94,000

See Topic: COST RECORDS, Long Answer Type Question Nos. 3.

b) Difference between Control Accounts System and Integrated Accounts System.

See Topic: COST RECORDS, Short Answer Type Question Nos. 3.

10. Calculate the machine hour rate from the information given below:

	Rs.
Cost of the machine	2,00,000
Installation charges	10,000
Estimated scrap value after the expire of its life (15 years)	5,000
Rent and rates for the shop per month	200
General lighting for the shop per month	300
Insurance premium for the machine per month	80
Repairs and maintenance expenses per annum	1000
Power consumption-10 units per hour	-

FINANCIAL MANAGEMENT-II

Rate of power (100 units)	20
Shop supervisor's salary per month	600
Estimated working hours per annum-2,000	

The machine occupies  $1/4^{\text{th}}$  of total area of the shop. The supervisor is expected to devote  $1/5^{\text{th}}$  of his time for supervising the machine.

See Topic: ACCOUNTING FOR OVERHEADS, Long Answer Type Question Nos. 6.

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

- a) Certified Work
- b) Danger Level
- c) Cost-Plus contract
- d) Spoilage
- e) Card-Time Recording System

- a) See Topic: COST ASCERTAINMENT, Long Answer Type Question Nos. 15.(m).
- b) See Topic: ACCOUNTING FOR MATERIAL, Long Answer Type Question No. 11.(b).
- c) See Topic: COST ASCERTAINMENT, Long Answer Type Question Nos. 15.(n).
- d) See Topic: COST ASCERTAINMENT, Long Answer Type Question Nos. 15.(o).
- e) See Topic: ACCOUNTING FOR LABOUR, Long Answer Type Question No. 6.(c).