

**DEPARTMENT OF COMMERCE**  
**QUESTION BANK FOR B COM**  
**COST ACCOUNTING I**

**MODULE 1- INTRODUCTION TO COST ACCOUNTING**

**CO-** Illustrate the fundamentals of cost accounting (Understand)

**SECTION A**

1. Explain Cost.
2. Explain Cost accounting.
3. State any two limitations of Cost Accounting.
4. What is opportunity cost?
5. What is Sunk cost?
6. What is a cost unit?
7. What is responsibility centre?
8. What is target cost?
9. What is job costing?
10. What is Step cost?

**SECTION B**

11. What are the limitations of Cost accounting?
12. Compare Cost accounting & management accounting.
13. Explain the steps for installation of a good costing system.
14. What are the techniques of costing?
15. Define cost Centre. What are the different types of cost Centre?
16. What are the methods of costing?
17. What are the major distinction between cost control and cost reduction.
18. Outline the objectives of cost accounting.

## SECTION C

19. What is Costing? Explain the methods and techniques of Costing.
20. Explain the advantages of costing to various parties.
21. Outline specimen of cost sheet with a minimum of 10 items in each head.
22. How will you install a cost accounting system in your factory? What are its practical difficulties?

## MODULE 2 - ACCOUNTING & CONTROL OF MATERIAL COST

CO2: Compare methods of pricing on issue of materials (Analyze)

## SECTION A

1. What is Material Control?
2. What is EOQ?
3. Distinguish between Direct Material and indirect material. Give examples
4. Explain JIT.
5. What is VED analysis?
6. What is a Bin card?
7. What is ABC analysis?
8. What is perpetual inventory system?
9. What is danger level?
10. What is lead time?

## SECTION B

11. Define Material Control. And explain the objectives of material control
12. A leather manufacturing company uses 6400 units per year of an item costing Rs.4 each. The cost of processing a purchase order is Rs. 40 and the stock holding cost amounts to 5% per year of the inventory value. Find the EOQ.
13. Two materials A & B were used as follows: (CO2)  
Minimum usage 50 units per week each  
Maximum usage 150 units per week each  
Normal usage 100 units per week each  
Reorder quantity A-600 unit, B- 1000 units

Reorder period: A-4 to 6 weeks, B - 2 to 4 weeks

Calculate reorder level, minimum level, maximum level and average stock level.

14. Distinguish between Bin card & Stores ledger
15. What is material cost accounting? Explain its objectives
16. A publishing house purchases 80000 units of a particular item of material per year at a unit cost of Rs.30 each. The following further data are available:
  - Annual return on investment: 10%
  - Rent and tax: Rs.13
  - Cost of placing an order: Rs.100Determine (1) EOQ, (2) Frequency of orders in terms of Days.
17. Distinguish between scrap & spoilages.
18. Describe the procedure to be followed for the purchase of material.

### SECTION C

19. Explain the methods of stores control.
20. Two components X and Y are used as follows.
  - Normal Usage: 50 Units each per week.
  - Minimum usage: 25 units each per week.
  - Maximum usage: 75 units each per week.
  - Reorder quantity X 400 units; Y 600 units.
  - Reorder period 4-6 Weeks Y 2-4 WeeksCalculate (1) Re-order level. (2)Minimum level. (3)Maximum level. (4)Average stock level
21. The following is the record of receipts and issues of a certain material in a factory during a week in the month of May 2019
  - May1- Opening balance, 100 units at Rs. 20.20 per unit
  - 1- Issued 60 units
  
  - 2- Received 120 units at Rs. 20.20 units
  - 3- Received back from order 20 units ( originally issued at Rs.19.80 per unit)
  - 4- Issued 50 units

6- Received 44 units at Rs. 20.40 per unit

7- Issued 66 units.

Adopt LIFO method and prepare stores ledger.

22. Explain the techniques of inventory control.

**MODULE 3 Module III: Accounting and Control of labor: :To summarize to the students about the measures taken to control the labor cost.**

**(CO) (Understand)**

**SECTION A**

1. Define labour.
2. What is direct labor?
3. What is meant by labour control?
4. What is over time?
5. What is payroll?
6. What is time wage system?
7. Who are casual workers?
8. What is Group Bonus System?
9. What is Labor Turnover?
10. What is piece wage system?

**SECTION B**

11. Distinguish between time keeping and time booking.
12. From the following particulars find the amount of cash required for payment of wages in a factory for a particular month.

Wages for normal hours worked- Rs.20500

Wages for overtime- Rs.2200

Leave wages- Rs.2700

Deduction of employees share to state insurance- Rs.500

Employee's contribution to Provident fund- Rs.1600

House rent is to be recovered from 30 employees at Rs.20 per month.

12. Distinguish between Time rate system & Piece rate system

13. What are the merits of Halsey plan ?

14. From the information given below, calculate the earnings of workers under Gantt task & bonus plan  
Time rate - Rs.15 per hour  
High task per day of 8 hours- 80 units.  
High piece rate - Rs.2 per unit  
In an 8 hour day, X produced 70 units, Y produced 80 units, Z produced 90 units.

15. Distinguish between Halsey plan and Rowan Plan.

16 What do you mean by Activity Based Costing (ABC).What are its objectives?

17. What are the merits of Rowan Plan?

18.What are the essentials of a good wage system?

### SECTION C

19. Worker A finished a job in 8 hours and worker B finishes the job in 12 hours. The standard time allowed for completing the job is 20 hours and the standard rate per hour is Rs. 5. Calculate the earnings of the workers under

A) Halsey plan

B) Rowan plan

Also calculate the effective hourly rate.

20. Explain the various methods of wage payment

21. Briefly explain the methods of Time keeping.

22 On the basis of the following information, calculate earnings of workers X and Y on

1. Straight piece rate system, and
2. Taylor's differential piece rate system

Standard production 8 units per hour.

Normal time rate Rs.40 per hour.

Differentials Applied

- a) 80% of piece rate below standard.
- b) 120% of piece rate at or above standard.

In a 9 hour day , X Produced 54 units and Y produced 75 units.

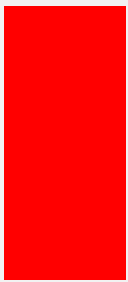
## **MODULE 4 Accounting for overheads Determine allocation and apportionment of overheads(CO) (Evaluate)**

### **SECTION A**

1. Define overhead.
2. What is primary distribution?
3. What do you mean by Absorption of overheads?
4. What is machine hour rate?
5. What is ABB?
6. What is ABA?
7. What is over absorption of overhead?
8. Define cost driver?
9. What is secondary distribution? Define imprest system of stores control
10. What is Pre-Determined Rate?

### **SECTION B**

11. Distinguish between direct and indirect expenses.
12. What do you mean by element wise classification of overheads?
13. Explain the different methods of classifying factory overheads.



14. Define the terms ‘over and under absorption’? How do we treat them in cost accounting?
15. What is machine hour rate? How is it calculated?
16. What do you mean by ABC analysis? What are its objectives?
17. What are the different types of Overhead Rates?
18. What is Labor Hour Rate? Explain Its Suitability.

### SECTION C

19. Define overhead. What are the principles of overhead apportionment?
20. Briefly explain the various methods of classification of overhead?
21. Hindustan manufacturing company has four production departments and two service departments. The particulars of the respective departments are as follows:

Production departments  
 Dept. I -Rs. 1000  
 Dept II- Rs. 900  
 Dept III - Rs. 800  
 Dept IV - Rs. 700  
 Service departments

Transport Dept - Rs.550  
 Power supply Dept - Rs. 380

The service department expenses are charged out on a percentage basis as given below:

	Dept. I	Dept. II	Dept. III	Dept IV	Transport	Power supply
Transport	10%	30%	20%	20%	----- -	20%
Power supply	30%	20%	30%	10%	10%	-----

Using the above particulars apportion the service department expenses to various production departments on Simultaneous Equation method.

22. Define Machine hour rate? Explain its suitability, advantages & disadvantages.



**MODULE 5 COST SHEET**

**(CO5- Construct cost sheet and reconciliation statement)**

**(Blooms Taxonomy Level-Apply)**

**SECTION A**

1. What is Cost sheet?
2. What is prime cost?
3. What is reconciliation statement?
4. State any 4 reasons for disagreement of profit in cost accounts and financial books.
5. State any 4 objectives of preparing reconciliation statement
6. List the expenses that appear only in cost books.
7. Name the expenses that appear only in financial books.
8. Mention the purely financial charges.
9. What is under absorption of overhead?
10. What is over absorption of overhead?

**SECTION B**

11. Explain the procedure for preparing a Reconciliation statement.
12. Show the profit by preparing cost sheet.

Cost of raw material in stock on 01.01.2018- 30000

Raw material purchased during 2018 -450000

Direct wages - 230000



Factory overheads- 92000

Work in progress on 01.01.2018- 12000

Raw materials in stock on 31.12.2018- 25000

Work in progress on 31.12.2018- 15000

Opening stock of finished goods- 60000

Closing stock of finished goods- 55000

Administration overheads- 30000

Selling & Distribution overheads- 20000

Sales- 900000

13. Explain the reasons for disagreement of profit in cost accounts and financial accounts.

14. On verifying cost records and financial books, the following were observed:

Interest on investments credited in financial books	12000
Loss on sale of investments debited in financial books	6000
Loss due to obsolescence charged in financial accounts	4000
Depreciation charged more in financial accounts	3200
Closing stock valued more in cost accounts	8000
Opening stock valued more in cost accounts	2000
Factory overheads under absorbed in costing	3000
Office overheads over absorbed in costing	2800
Rent charged only in cost accounts	3000

Prepare a Profit Reconciliation Statement.

15. Explain the effect of under absorption and over absorption of overheads in cost profits.

16. Explain the components of cost sheet.

17. M/s.Anu & sons received an enquiry from M/s Binu&Co. for the supply of 1000 Toy Pianos. The estimated cost data is given below:

Direct material	30000
Direct labour	20000
Direct expenses	8000

Factory overhead 60% of direct labour

Administrative overhead 20% of work cost.

Selling & Distribution overheads at 10% of works cost.

The company intends to charge a profit of 20% on the cost of goods sold.

Show the price to be quoted by M/s Anu & Sons.



18. From the following prepare a statement reconciling Costing and Financial loss.

Net loss as per cost books	172400
Net loss as per financial books	216045
Works overhead under recovered in costing	3120
Administration overhead recovered in excess	1700
Depreciation charged in financial records	11200
Depreciation in cost books	12500
Interest received as per financial books	8750
Obsolescence charges	5700
Income tax provision	40300
Stores adjustment (credit in financial books)	475
Depreciation of stock in financial books	6750

## SECTION C

19. From the following figures prepare a Reconciliation statement

Net profit as per financial books	-63780
Net profit as per cost books	66760
Factory on cost under recovered in costing	5700
Administration overhead recovered in excess	4250
Depreciation recovered in costing	3950
Depreciation charged in financial books	3660
Interest received but not included in costing	-450

Income tax provided in financial books- 600

Bank interest credited in financial books- 230

Stores adjustment (credited in financial books) - 420

Depreciation of stock charged in financial books- 860

Dividend appropriated in financial accounts - 1200

Loss due to theft and pilferage provided (only in financial books) – 260

20. The following information has been obtained from the cost records of Modern Works Ltd., for the three months ending 31st March 2019 during which 100 units are produced and all the units are sold at Rs. 3000 per unit. (CO1)

(Amount in Rs)

Stock of Raw material on 1st January 2019- 18000

Stock of Raw material on 31st March 2019- 21000

Materials purchased - 162000

Carriage paid on purchase - 3000

Depreciation on plant - 6000

Repairs to plants - 2000

Factory rent and rates - 7000

Indirect material - 11000

Indirect labour - 9000

Direct labour - 28000

Depreciation on furniture - 3000

Printing and stationery - 1500

Office salaries and allowances - 14500

Warehouse rent - 2400

Advertising - 2000

Salesman salary and commission - 2600

Prepare a cost sheet to calculate the profit.

21. The following figures have been extracted from the financial accounts of Durga ltd.for the first year of its operations:

Direct material consumption Rs. 50,000

Productive wages= 30,000

Factory overheads=16,000

Administrative overheads= 7,000

Selling and distribution of overheads= 9,600

Bad debts written off= 800

Preliminary expenses written off= 400

Legal charges =100

Dividend received= 1,000

Interest received on bank deposits = 200

Sales (12,000 units) = 1, 20,000

Closing stock:

Finished goods (400 units) = 3,200

Work in progress= 2,400

The cost accounts for the same period reveal that direct material consumption was Rs. 56,000.

Factory overhead is recovered at 20% on prime cost. Administration overhead is recovered at

60 paise per unit of production. Selling and distribution overheads at 80 paise per unit sold.

Prepare profit & loss account and cost sheet. Also, reconcile the profits as per the two records.

22. Explain the components of cost and show the format of a cost sheet.