DEPARTMENT OF COMMERCE

QUESTION BANK FOR B COM

COST ACCOUNTING II

Module 1 CO **1 (Make use of specific order costing) Apply**

SECTION A

1. Identify job costing? Give examples.
2. Explain the main advantages of job costing?
3. Outline contract costing.
4. Identify Escalation clause?
5. Identify EBQ?
6. Construct setting up cost?
7. Develop Batch Cost Sheet?
8. Identify Work Certified?
9. Explain De Escalation Clause?
10. Explain Job Costing

SECTION B

11. The following data are available in respect of Job No: 7   Direct material -17000

Direct wages-160 hours at Rs.50per hour

Variable overheads incurred for all jobs

Rs.80000 for 2000 labour hours.

Fixed overheads are absorbed at Rs.20per hour

Find out profit or loss from the job if the job is billed for Rs.40000.

12. Calculate EBQ from the following

Annual demand - 24000 units

Setting up cost per batch- Rs.120

Carrying cost per unit- Rs. 0.36

13. Compare Contract costing and Job costing.

14. How will you treat Work in progress in in contract account?

15. Describe the procedure of recording costs under Job costing.

16. Show the difference between Job Costing and Batch Costing.

1 7.Illustrate the treatment of the profit on Incomplete Contract?

18. The following are the expenses incurred on a contract the price of which is 10, 00,000 and it commenced on 1st January 2018

Material purchased 6, 00,000

Materials at site on 31.12.2018 10,000

Direct Wages 1, 00,000

Plant issued 40,000

Direct Expenses 50,000

The contract was completed on 31.12.2018.The contact price was duly received. Charge indirect expenses at 25% on direct wages. Provide for depreciation at 10% on plant.

19...Develop EBQ from the following

Monthly Demand for the component 2000 units

Setting up cost per Batch Rs 120

Annual Rate of interest 6%

Cost of manufacture per unit Rs 6

SECTION C

20. Following information's extracted from Job number 707.

Materials- Rs.3450

Wages;

Dept A- 60 hours @ Rs.3/hour

Dept B-40 hours @ Rs.2/hour

Dept C-20 hours @Rs.4/hour

Overheads of three departments are estimated as follows;

Variable overheads;

Dept A- Rs.4000 for 4000 direct labour hours

Dept B- Rs.3000 for 1500 direct labour hours

Dept C- Rs.1000 for 500 direct labour hours.

Fixed overheads- Rs.10000 for 10000 normal working hours.

21. How will you treat profit on incomplete contracts? Explain.

A Ltd is committed to supply 24000 bearings per annum to B Ltd on a steady basis. It is estimated that it costs 10paise per unit as inventory holding cost per month and that the setup cost per run of bearing manufacture is Rs 324.

(1)What should be the optimum size for bearing manufacture?

(2)What would be the interval between two consecutive optimum runs?

(3)Find out the minimum inventory holding cost per annum?

22. Karnataka Construction Company undertook a contract for building .Following are the particulars for the year ended 31.12.2018.

Work Certified	14, 30,000
Work Uncertified	34,000
Plant installed at site	1, 13,000
Depreciation up to 31.12.2018	31,000
Material sent to site	6, 53,000
Wages paid	5, 48,000
Establishment Charges	32,500
Wages Accrued on 31.12.2018	18,000
Direct Expenditure	24,000
Materials lost at site	8,000
Materials at site on 31.12.2018	10,000
Sale of scrap material	4,000
Material Returned to store	4,000
Direct Expenditure Accrued on 31.12.2018	2000
Contract price	20, 00,000
Cash received from Contractee	13, 00,000

Prepare Contract Account for the year ended 31.12.2018 showing profit to be taken to the credit of profit and loss account and show the relevant entries in the Balance sheet.

23. Asset Homes Ltd was engaged on a contract during the year 2019.The contract price was 4, 00,000.Trial Balance of the company was as follows.

Trial Balance

	Debit	Credit
Share Capital		80,000
Creditors		8,000
Land and buildings	34,000	
Cash in hand	9,000	
Charged to contract account		
Materials	75,000	
Plant	20,000	
Wages	1, 05,000	
Expenses	5,000	
Cash received from contractee		1, 60,000
(Being 80% of work certified)		
	2, 48,000	2, 48,000

Of the plant and materials charged to the contract, Plant costing Rs.3, 000 and materials costing Rs.2, 400 were destroyed by an accident. On 31.12.2019 plant which cost Rs.4, 000was returned to stores. The value of materials at site was Rs.3000.Work done but uncertified was Rs.2000.Charge depreciation on plant at 10%p.a

Prepare Contract Account and Balance Sheet

24. The following information relates ton a building contract for Rs.10, 00,000 for two years.

	2018	2019
Materials	3, 00,000	84,000
Direct Wages	2, 30,000	1, 05,000
Direct Expenses	22,000	10,000
Indirect Expenses	6,000	1,400
Work Certified	7, 50,000	10, 00,000

Work Uncertified	8,000	-
Materials at site	5,000	7,000
Plant Issued	14,000	2,000
Cash received from contractee	6, 00,000	10, 00,000

The value of plant at the end of 2018 and 2019 was Rs.7000 and 5000.

Prepare Contract A/c and Contractee account for two years 2018 and 2019

Module 2 **CO 2 (Appraise the operating costing) Analyse**

SECTION A

1. Examine operating costing?
2. Construct the objectives of transport costing?
3. Simplify passenger kilometre?
4. Examine canteen costing?
5. Examine fixed charges? Give examples.
6. Inspect Hospital Costing?
7. Discover 'Tonne kilometre'?

SECTION B

8. From the following information, Solve Kilometres and total passenger kilometres covered

Number of buses-4

Days operated in a month-30

Trips made by each bus-4

Distance of route-30kms (one side)

Seating capacity- 50 passengers

Normal passenger travelling -80% capacities.

9. Explain the objectives of Operating costing?

10. Explain briefly the costing procedure in Transport Costing.

11. What are the features of operating costing?

12. From the following information calculate Kilometre and total passenger kilometres

Number of buses 4

Days operated in a month 30

Trip made by each bus 4

Distance of route 30 kms (one side)

Seating capacity 50 passengers

Normal passengers traveling 80% of capacity

SECTION C

13. From the following particulars solve cost of running a taxi per kilometre.

Number of Taxi	Rs.10
Cost of each Taxi	Rs.2, 00,000
Salary of Manager	Rs.6000 p.m.
Salary of Accountant	Rs. 5000 p.m.
Salary of Mechanic	Rs.4000 p.m.
Salary of cleaner	Rs.2000 p.m.
Garage Rent	Rs.6000 p.m.
Insurance premium	5%p.a
Annual Tax	Rs.6000 per taxi
Driver's salary	Rs 2000 p.m.
Annual repairs	Rs 10000 per taxi

Total life of the taxi is about 2, 00,000kms. A taxi runs in all 3,000 kms in a month of which 30% it runs empty. Fuel consumption is one litre for 10kms @ 18 per litre. Oil and other sundries are Rs.50 per 100km.

14. from the following data relating to a staff canteen for the year ended 31.12.2019, compute cost per meal.

Meat purchases-	4000
Fish purchased-	1500
Egg purchased-	1000
Vegetables purchased-	500
Bakery items purchased-	600

Fruits purchased-	600
Milk-	800
Beverages-	1000
Supervisor's salary-	4000
Chef's salary-	6000
Helper's salary-	1500
Cleaner's salary-	1000
Consumable stores purchased-	1000
Cost of gas-	800
Rent of building-	2000
Repairs and maintenance-	1200
Administrative expenses-	1000
Number of meals served during the period-	500
Subsidy received from the company-	20000

Module 3 CO 3 (Rate the process costing Evaluate

SECTION A

1. Interpret process costing?
2. Explain scrap?
3. Assess abnormal wastage?
4. Explain split off point?
5. Explain subsequent cost?
6. Explain By-products?
7. Interpret wastage?
8. Explain process account?
9. Examine joint products?
10. Interpret Defectives?
11. Identify the meaning of Spoilage?

SECTION B

12. Distinguish between Joint products and by products?

13. The following expenses were incurred for the production of 570 units of a durable product.

Materials	Rs. 2, 00,000
Wages	Rs. 60,000
Overheads	Rs.40, 000
Normal Wastage	5% of input
Scrap value	215 per unit

Prepare process account assuming that there was neither abnormal loss nor abnormal gain.

14. Determine the objectives of Process Costing?

15. A product passes through two processes to completion. Process I and Inform the following information prepare Process Account.

	Process I	Process II
Direct Material	21,000	3,000
Direct Labour	15,000	7,000
Direct Expenses	4,000	2,000
Overheads	3,000	1,000

Production during the period was 1000 units with no stock of raw materials or work in progress either at the beginning or at the end of the period .Show the process account.

16. Explain advantages and disadvantages of process costing?

17. From the following information relating to process x prepare process x account and Abnormal Gain account.

Raw materials 950 units @Rs.10	9,500
Additional Materials	1,980
Direct Wages	3,000
Normal Loss	10%

Scrap value per unit	4
No.of units produced and transferred to process y	870

Overheads are recovered at 100%of direct wages.

18. Explain the different methods of apportionment of joint cost.

19. Differentiate job costing from process costing.

20. A factory produces three products A, B and C of equal value from the same manufacturing process. Their joint cost before split off point is given below.

Materials	10,000
Wages	5,000
Overheads	4,600
Total	19,600

Subsequent costs are given below:

	A	B	C
Materials	1,500	1,300	1,000
Wages	200	150	100
Overheads	800	550	400
Total	2,500	2,000	1,500
Sales	30,000	24,000	20,000
Estimated profit on sales	30%	25%	20%

Show how you would propose to apportion Joint Cost of manufacture.

21. An oil refining company produces the following products from 12,000 tonnes of crude oil at rs.50 per barrel.

Gasoline	4,000 barrel
Diesel	3,000 "
Petrol	2,000 "
Kerosene	1,000 "

Apprtion the cost amongst the products on the basis of physical unit method.

SECTION C

22. A product passes through three distinct processes Iliad III to completion.

20,000 units of raw materials are introduced to Process I at Rs.30 per unit. The following relates to the process.

	I	II	III
Sundry Materials	20,000	43,800	81,400
Labour	80,000	60,000	1, 00,000
Overheads as % of labour	50%	100%	40%
Actual output	18,000	16,400	15,500
Normal Wastage on input	10%	10%	5%
Scrap value of wastage per unit	10	5	20

Prepare Process Accounts, Normal Loss Account and Abnormal Loss or Gain Account.

23. The following details are extracted from costing records of an oil refinery for the week ended April 30th.

Purchase of 5,400 kg of oil seeds for Rs.1, 89,000.

Items	Crushing	Refining	Finishing
Cost of labour	2,500	1,100	1,600
Electric Power	1,200	750	680
Sundry Materials	300	1,750	----
Factory Expenses	1,400	620	200

Cost of casks Rs.8, 000

3,200 kg crude oil was produced.2,600 kg of oil was produced by the refining process.2,550 kg of oil was finished for delivery .Sacks sold for Rs.600.1,925 kg of oil cake sold for Rs.12,000.Loss in weight in crushing 275 kg .500kg of by products obtained from refining process sold for Rs.7,500. You are required to show the accounts in respect of each of the above stages of manufacture for the purpose of arriving at the cost per kg .of each process.

24. A product is obtained after it passes through three distinct processes. The following information is obtained from the month ending 31st December 2019.

		Process		
	Total	I	II	III
Direct Material	7,542	2,600	1,980	2,962
Direct Wages	9,000	2,000	3,000	4,000
Production Overheads	9,000	-----	------	------

1000 units at Rs.3 each were introduced to Process I. The output of each process passes direct to the next process and finally to Finished Stock.

Production overhead is recovered at 100 per cent of Direct Wages. The following additional data are obtained.

Process	Output	Normal Loss	Scrap Value per unit
I	950	5%	2
II	840	10%	4
III	750	15%	5

Prepare Process Cost Accounts and Abnormal loss or Abnormal Effectiveness Account.

Module 4 **CO 4 (Express in words the Marginal costing) Understand**

SECTION A

1. Summarize marginal costing?
2. Interpret BEP?
3. What is absorption costing?
4. Explain P/V ratio?
5. Solve P/V ratio from the following;

   Sales Rs.600000

   Variable cost- Rs.450000

   Fixed cost- Rs.100000
6. Outline margin of safety?
7. Explain angle of incidence?
8. Explain key factor?
9. Explain contribution?
10. Make use of cost volume profit analysis?

SECTION B

11. Determine the amount of fixed cost from the following.

Sales	Rs.10, 00,000
Variable Cost	Rs.6, 00,000
Profit	Rs.1, 50,000

12. What is differential costing?
13. Solve Break even sales in unit

Fixed Overhead	Rs.2, 40
Variable Cost per unit	Rs.15
Selling price per unit	Rs.30

14. Explain Indifference point?

15. Distinguish between Absorption costing and marginal costing.
16. Explain marginal costing? What are its features and assumptions?
17. Marginal costing is very useful technique to management for cost control. Explain.
18. From the following data, calculate

    P/V ratio

Break-even point

Sales to earn a profit of Rs.240000

Sales- Rs.10, 00,000

Variable cost- Rs.7, 60,000

Fixed cost- Rs.1, 20,000.

What is Break even analysis? What are its advantages and limitations?

SECTION C

19. Interpret marginal costing. Explain briefly how marginal costing is helpful in decision making.

20. From the following data you are required to calculate.

(1)The Marginal cost products A and B and the Contribution per unit

(2) The contribution or profit resulting from each of the suggested sales mixture and comment on it.

	Product A	Product B
Direct Material cost per unit	14	11
Direct labour cost per unit	4	3

Variable overheads-100%of direct labour cost

Fixed overhead (Total)-Rs.1000

Selling price per unit

Product an Rs.27

Product B Rs.19

Suggested sales mixtures:

(A) 200 units of Product A and 400 units of Product B

(b) 300 units of Product A and 300 units of Product B

(c) 400 units of Product A and 200 units of Product B

21. Interpret the advantages of Marginal costing?

22. Aravind Ltd is producing 80,000 pieces of umbrella at 80% capacity. It receives an order from the foreign market for 20,000 units at Rs.120 per unit, but the local market price is Rs.160 per unit .The present cost break up is given below.

Material	50
Labour	20
Variable overhead	10
Fixed cost	40

Total cost	120

(1)Advise the management whether to accept the foreign order or not.

(2)What will be your advice if the order is from the local market?

Module 5 **CO5 (Categorize Budgets) Analyse**

SECTION A

1. Interpret budgetary control?
2. Explain budget?
3. Define master budget.
4. Explain a flexible budget?
5. Interpret fixed budget?
6. Explain ZBB?
7. Interpret production budget?
8. Explain the characteristics of budget?
9. Explain budgeting?
10. Explain the limitations of budgetary control?
11. Explain a cash budget?
12. Interpret a budget manual?
13. Interpret budget period?
14. Explain budget centre?
15. Interpret ABB?

SECTION B

16. Compare budget and a forecast.
17. Define budgetary control. What are its limitations and advantages?
18. Explain cash budget? What are its objectives and advantages?
19. Outline the essentials of a successful budgetary control?
20. Explain the steps required for the installation of a system of budgetary control.
21. Examine the methods of preparing a cash budget?
22. Identify ZBB? What are its advantages and disadvantages?
23. Explain performance budgeting? What are its advantages and disadvantages?
24. Explain ABB? What are its advantages and disadvantages?

25. X ltd. Wishes to arrange overdraft facilities with its bankers during the period April to June 2019. Prepare a cash budget for the above period from the following data, indicating the extent of bank facilities the company will require at the end of each month.

MONTH	SALES	PURCHASES	WAGES
February	1,80,000	1,24,800	12,000
March	1,92,000	1,44,000	14,000
April	1,08,000	2,43,000	11,000
May	1,74,000	2,46,000	10,000
June	1,26,000	2,68,000	15,000

Additional information's,

- 50% of credit sales are realised in the month following the sales and the remaining 50% in the second month following.
- Creditors are paid in the month following the month of purchase
- Wages are paid on the first of every next month
- Cash at bank on 1.4.2019(estimated) Rs.25000.

SECTION C

26. Explain briefly the classification of budget.

27. The expenses budgeted for production of 10,000 units in a factory is furnished below.

	Per Unit
Materials	70
Labour	25
Variable overhead	20
Fixed overheads (Rs.100000)	10
Variable expenses (Direct)	5
Selling expenses (10% fixed)	13
Distribution expenses (20% fixed)	7
Administration expenses (Rs. 50000)	5
Total cost per unit (Rs)	155

Prepare a budget for the production of

a. 8000 units,

b. 6000 units

c. Assume administrative expenses are rigid for all levels of production.

28. A department of a company attains sales of Rs.6, 00,000 at 80% capacity and its expenses are given below;

Administration overheads:

Staff salaries - Rs.90000

General expenses- 2% of sales

Depreciation- Rs.7500

Rates and taxes- Rs.8750

Selling overheads:

Salaries- 8% of sales

Travelling expenses- 2% of sales

Sales office expenses- 1% of sales

General expenses- 1% of sales

Distribution overheads:

Wages and salaries- Rs.15000

Rent- 1% of sales

Other expenses- 4% of sales

Draw up a flexible budget, operating at 90%, 100%, and 110% of normal capacity.

29. Define budgetary control. Explain with its characteristics, principles, advantages and disadvantages.