MIT Arts, Commerce & Science college, Alandi

Question Bank: F.Y. B.B.A. / F.Y.B.C.A. Sem II
Subject: Cost Accounting

CHAPTER 1: Basic Concepts of Cost Accounting

1. Define the terms:
   (i) Cost, (ii) Costing, (iii) Cost Accounting, (iv) Cost Accountancy
2. What is Financial Accounting? Explain ther limitations of Financial Accounting
3. Define Cost Accounting. State the advantages and limitations of Cost Accounting.
4. Differentiate between Cost Accounting and Financial Accounting.
5. What is 'Cost Center'? Explain the various types of cost centers.

CHAPTER 2: Cost Sheet

1. Define the term 'Cost'. Explain the various Elements of Cost.
2. What is Cost Classification? Explain the need for Cost Classification. State the various method of Cost Classification with suitable examples.
3. Why a 'Cost Sheet' is to be prepared? Give the specimen of a 'Simple Cost Sheet'.

4. Prepare Cost-Sheet giving
(a) Prime Cost, (b) Works Cost, (c) Cost of Production, (d) Total Cost

The following data have been extracted from the books of Birla Tractors Ltd., Pune for the year 2007-2008

	Rs,
Opening Stock of Raw Materials	25,000
Purchase of Raw Materials	85,000
Closing Stock of Raw Materials	40,000
Carriage Inward	5,000
Wages – Direct	75,000
Wages – Indirect	10,000
Other Direct Charges	15,000
Rent and Rates –	
Factory	5,000
Office	500
Indirect Consumption of Material	500
Depreciation	
Plant and Machinery	1,500
Office Furniture	100
Salary –	
Office	2,500
Salesmen	2,000
Other Factory Expenses	5,700
Other Office Expenses	900
Manager’s Remuneration	12,000
Bad Debts written off	1,000
Advertisement Expenses	2,000
Traveling Expenses of Salesmen	1,100
Carriage and Freight Outward	1,000
Sales	2, 50,000
Advance Income Tax	15,000

Cash Discount	5,000

The manager has the overall charges of the company and his remuneration is to allocated Rs. 4,000/- to Factory, Rs. 2,000/- to Office and Rs. 6,000/- to the Selling.

From the above particulars prepare a Cost Statement showing”

(1) Prime Cost, (2) Factory Cost, (3) Cost of Production, (4) Cost of Sales, and (5) Net Profit.

CHAPTER 3: Methods of Costing

1. What is Job Costing? Explain the important features of Job Costing
2. What are the advantages and limitations of Job Costing?
3. Define “Contract Costing’ Explain the distinguishing features of Contract Costing.
4. Define ‘Process Costing’? Describe the main features of Process Costing
5. Define ‘Normal Loss’. Explain the accounting treatment of Normal Loss in Process Costing
6. Define ‘Abnormal Gain’. Explain the accounting treatment of Abnormal Loss in Process Costing.
7. What is Operating Costing? Explain the features of Operating Costing.

8. The following balances have been extracted from the books of Home Constructions, Haridwar on 31st March 2008

	Rs.
Materials issued from stores	60,000
Materials purchased	3,100
Wages paid	73,000
Outstanding wages	150
Plant and machinery purchased and installed at site on 1st July 2007	16,000
Direct expenses	2,500
Direct expenses accused	650
Administration on cost	6,000
Value of work certified	1, 60,000
Cost of work uncertified	5,600
Material returned to stores	7,200
Cash received from contractee	1, 44,000
Depreciation on plant and machinery @20% p.a.	

Prepare contract Account and Contractee Account for the year ended 31st March 2008 in the books of a contractor

9. A product passes through two distinct processes A and B and then to finished stock. The output of A passes to B and that of B to finished stock from the following information you are required to prepare the process accounts.

	Process A Rs.	**Process B Rs.**
Materials consumed	12,000	6,000
Direct Labour	14,000	8,000
Manufacturing expenses	4,000	4,000
Output (Units)	9,400	8,300
Input in Process A (Units)	10,000	----
Input in Process A (Value)	10,000	----
Normal Wastage (% of input)	5%	10%
Value of Normal wastage (per 100 units)	Rs. 8	Rs. 10

No opening or closing stock is held in process

10. Bansilal Transport Co., Bandra is running 4 buses between two towns which are 50 miles apart, seating capacity of each bus is 40 passengers. The following particulars were obtained from their books for the month of April 2008.

Wages of drivers and conductors	Rs. 2,400/-
Office and Staff Salaries	Rs. 1,000/-
Diesel and other oils	Rs. 4,000/-
Repairs and Maintenance	Rs. 800/-
Taxes and Insurance	Rs. 1,600/-
Depreciation	Rs. 2,600/-

Interest	Rs. 2,000/-

Actual passengers carried were 75% of the seating capacity. All the four buses run on all the days of the month. Each bus made one round trip per day. Find out the cost per passenger mile.

CHAPTER 4: Budgetary Control

1. Clearly bring out the meaning of Budget, Budgeting and Budgetary Control
2. Discuss the objective, advantages and limitations of Budgetary Control System
3. Explain the various types of Budget.
4. Kumaran Mohan Ltd. Kurla produces a consumer product. The estimated costs per unit are given below.

Raw Material	Rs. 500
Direct Labour	Rs. 300
Factory Overhead	Rs. 400 (30% fixed)
Administrative Overheads	Rs. 200 (60% fixed)
Cost per unit	Rs. 1,400

The selling price per unit is Rs. 1,800. At 50% capacity it produces 5,000 units. Find out the profits when it works at 60% and 80% capacity.

Notes:

(i) The cost per unit of Rs. 1,400 is at 50% capacity

(ii) At 60% capacity raw material cost increase by 3% and selling price falls by 3%

(iii) At 80% capacity raw material cost increases by 4% and selling price falls by 5%

Draw a proforma of a Flexible Budget using imaginary figures for 50%, 60% and 70% capacity levels.

5. From the following particulars prepare a Cash Budget for January, February and March 2005 -2006 in a tabular form

Months 2005-2006	**Sales Rs.**	**Purchase Rs.**	**Wages Rs.**	**Expenses Rs.**
October 1999	1,00,000	50,000	15,000	6,000
November 1999	90,000	45,000	19,000	5,000
December 1999	80,000	40,000	24,000	7,000
January 2006	85,000	42,500	22,000	5,000
February 2006	95,000	50,000	18,000	6,000
March 2006	90,000	45,000	20,000	5,000

Further information:

(i) 5% of the purchases and 10% of the sales are for cash.

(ii) Creditors allowed to customers ½ months.

(iii) Creditors for purchase are paid following the month of purchase.

(iv) Wages are paid every 15 days.

(v) Opening balance of cash as 1st January,2006 is Rs. 15,000/-

6. From the following particulars

	Actual			**Budgeted**		
Particulars	**January Rs.**	**February Rs.**	**March Rs.**	**April Rs.**	**May Rs.**	**June Rs.**
Sales	1,00,000	1,00,000	95,000	1,20,000	1,15,000	1,10,000
Purchases	50,000	45,000	48,000	50,000	45,000	30,000
Wages	30,000	25,000	28,000	30,000	25,000	20,000
Expenses	4,000	5,000	5,000	8,000	6,000	40,000

Further Information:

(i) 50% of thje purchases and sales are for cash
(ii) Debtors realized after one month
(iii) Creditors paid after two months.
(iv) Payment of wages made after one week
(v) Expenses are paid after one month
(vi) Rend of Rs. 5,000/- per month not considered in expenses
(vii) Income-tax payable in April Rs. 1,500/-
(viii) Cash balance as on 1st April 2006 was Rs. 1,500/-

CHAPTER 5: Marginal Costing

1. State the advantages and limitations of Marginal Costing
2. Draw a Break Even Chart taking suitable data and show the (i) Break Even Point
   (ii) Angle of Incidence, (iii) Margin of Safety, clearly on the chart itself.
3. What do you mean by 'Cost-Volume-Profit Analysis'? State the assumptions
   Underlying Cost-Volume-Profit Analysis.
4. Write short notes on:
   (a) Marginal Cost, (b) Fixed Cost, (c) Variable cost, (d) Contribution (e) Margin of
   Safety, (f) Angle of Incidence, (g) Profit Value Ratio, (h) Break Even Analysis (i) Key
   Factor, (j) Importance of Profit Volume Ratio

5. The turnover and profits during the two periods were as follows:

Period	**Sales Rs.**	**Profit Rs.**
One	40,00,000	4,00,000
Two	60,00,000	8,00,000

Assuming that the cost structure and selling price remains the same in the two periods. Calculate – (a) Profit – Volume Ratio, (b) Break-Even Point (Sales Value), (c) The sales required to earn a profit of Rs. 10,00,000 (d) Margin of Safety in period two, (e) Profit when Sales are Rs. 50,00,000

6. Morgon Ltd., Mahim has prepaid the following budget estimates for the year 2006- 2007

Sales – 20, 000 units

Sales – Rs. 2, 00,000

Variable ost per unit Rs. 5

Fixed Cost – Rs. 20,000

You are required to calculate –

(a) P/V Ratio, Break-Even-Point and Margin of Safety in each of the following cases

(i) Decrease of 10% in selling price

(ii) Increase of 10% in variable cost

7. The sales and Profit during two years are given below:

		Sales	**Profit**
2006	-	Rs. 20 Lakhs	Rs. 2 Lakhs
2007	-	Rs. 30 Lakhs	Rs. 4 Lakhs

Calculate (a) P/V Ratio (b) Sales required to earn a Profit of Rs. 5 Lakhs

<u>**CHAPTER 6: Standard Costing**</u>

1. What is Standard Costing? What are its advantages and disadvantages?
2. What is Variance Analysis? Explain in brief the different types of variances
3. “Standard osting is a valuable aid to management”. Discuss.

4. Tip Top Industries, Tarapur furnish the following information.

Materials	**Standard**			**Actual**		
	Quantity Units	**Rate Rs.**	**Amount Rs.**	**Quantity Rs.**	**Rate Rs.**	**Amount Rs.**
Material X	4	2.00	8.00	3	4.00	12.00
Material Y	3	3.00	9.00	2	3.00	6.00
Material Z	2	4.00	8.00	2	5.00	10.00
Total	**9**		**25.00**	**7**		**28.00**

Compute Material Usage and Material Mix Variances.

5. In Swojus Industries, Surat during October 2006 actual mix differs from standard mix but there is a change in output is chemical ‘Sopra’: 10Kgs. The cost details for the period are as follows:

Material	**Standard Mix**	**Amount Rs.**	**Actual Mix**	**Amount Rs.**
C D Total	70 kgs @ Rs.30 30 kgs. @ Rs. 20	2,100 600 2,700	75 kgs. @ Rs. 32 25 kgs. @ Rs. 18 (+)	2,400 450 2,850