

B.Com. (Semester - V) Examination, October/November 2017  
Major - I : Cost and Management Accounting  
METHODS OF COSTING (New Course)

Duration : 2 Hours

Total Marks : 80

- Instructions :**
- 1) Question No. 1 is compulsory.
  - 2) Answer **any three** questions from Question No. 2 to Question No. 6.
  - 3) Figures to the **right** indicate maximum marks.
  - 4) Working notes should form part of the answer.

1. Clean Flooring Company manufactured and sold 5,000 mops in the year ended 31<sup>st</sup> March 2017. The Summarized Trading and Profit and Loss A/c was as follows : 20

Particulars	Rs.	Particulars	Rs.
To Cost of materials	4,00,000	By Sales	20,00,000
To Direct wages	6,00,000		
To Manufacturing expenses	2,50,000		
To Gross profit c/d	7,50,000		
	<b>20,00,000</b>		<b>20,00,000</b>
To Management and staff salaries	3,00,000	By Gross profit b/d	7,50,000
To Rent and insurance	50,000		
To Selling expenses	1,50,000		
To General expenses	1,00,000		
To Net profit	1,50,000		
	<b>7,50,000</b>		<b>7,50,000</b>

For the year ending 31<sup>st</sup> March 2018, it was estimated that :

- 1) Output and Sales of mops would increase by 20% over last year.
- 2) Prices of raw materials would rise by 20% on the previous year's level.
- 3) Wage rates would rise by 5%
- 4) Manufacturing expenses would rise in proportion to the combined cost of materials and wages.
- 5) Selling expenses per unit would remain the same.
- 6) Other expenses will remain unchanged by the rise in output.

P.T.O.



Prepare :

- a) Cost Sheet for the year ended 31<sup>st</sup> March 2017, showing cost as well as profit per unit.
- b) Estimated Cost Sheet for the year ended 31<sup>st</sup> March 2018, showing the price at which mops should be sold to earn a profit of 10% on selling price.

2. M/s Skylights and Co. undertook a contract for construction of a small children's park, at a contract price of Rs. 3,50,000, on 1<sup>st</sup> May 2014. The contractee agrees to pay 90% of the work done as certified by the architect, immediately on receipt of the certificate and pay the balance on completion of the contract. 20

A machine costing Rs. 5,000 was specially bought and used for the contract. The value of the machine as on 31<sup>st</sup> December 2014, 2015 and 2016 was Rs. 4,000, Rs. 2,500 and Rs. 1,000 respectively.

The work done and certified by the architect as at the end of year 2014 and 2015 was Rs. 87,500 and Rs. 2,82,500 respectively.

The other expenses of the contract for the three years period were as follows :

Particulars	2014	2015	2016
Materials issued to site	25,000	55,000	31,500
Wages paid	22,500	57,500	42,500
Direct expenses	1,750	6,250	2,250
Indirect expenses	750	1,000	—
Cost of work done but not certified	—	5,000	—

The accounts were closed on 31<sup>st</sup> December every year and the contract work completed on 31<sup>st</sup> December 2016.

Prepare the contract accounts for the three years period respectively, in the books of the contractor.

3. Prakash Automobiles distributes its goods to a regional dealer using a single lorry. The dealer's premises are 40 kms. away by road. The lorry has a capacity of 10 tonnes and makes the journey twice a day fully loaded on the outward journey and 20% empty on the return journey. The following information is available for a four weekly period during 2017 : 20

Petrol consumption – 16 kms per litre.

Petrol cost – Rs. 60 per litre.

Oil – Rs. 200 per week.

Driver's wages – Rs. 800 per week.

Repairs – Rs. 100 per week.

Garage rent – Rs. 500 per week.

Cost of single lorry – Rs. 12,20,000.

Life of the lorry – 10 years.

Insurance premium – Rs. 16,500 per annum.

Estimated sale value of lorry at the end of its life – Rs. 50,000

Vehicle licence cost – Rs. 11,300 per annum.

Other overheads cost – Rs. 41,600 per annum.

The lorry operates on a five day week.

Required :

- Prepare a statement to show the total cost of operating the vehicle for a four week period analysed into fixed costs and running costs.
  - Calculate the vehicle cost per tonne-kilometre.
4. A Product passes through three processes A, B and C after which it is transferred to the finished stock account. The following information is given for the month of September 2017.

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Particulars	Process	Process	Process	Finished stock
	A	B	C	
Direct materials (Rs.)	12,000	12,600	18,000	—
Direct wages (Rs.)	9,000	9,000	9,600	—
Production overheads (Rs.)	8,400	3,600	24,000	—
Closing stock (Rs.)	3,000	3,600	2,400	9,000
Profit % on transfer price	25%	20%	20%	—

Stock in processes are valued at prime cost and finished stock has been valued at the price at which it was received from process C. Sales during the period were Rs. 1,75,000.

You are required to prepare :

- Process cost accounts showing the profit element at each stage.
  - Finished stock account.
5. A) Hardcore Ltd. operates a chemical process which produces four products – P, Q, R and S, from a basic raw material and provides you the following data : 10
- Basic Raw material 1,25,000 units @ Rs. 2
  - Initial processing wages – Rs. 1,50,000
  - Initial processing overheads – Rs. 1,00,000
  - Output, selling prices and additional processing costs.



Products	Output	Selling price p. u. at split off point	Selling price p.u. after further processing	Additional Processing Costs after split off point
	(Units)	Rs.	Rs.	Rs.
P	10,000	40	70	2,50,000
Q	20,000	30	65	3,00,000
R	30,000	20	40	7,50,000
S	40,000	10	20	2,00,000

Prepare a statement apportioning joint costs on the basis of Net Realizable Value method.

- B) The information given below has been taken from the cost records of a factory in respect of Job no. 4321. 10

Particulars	Dept. A	Dept. B	Dept. C
Materials Consumed	Rs. 4,000	Rs. 1,000	Rs. 1,500
<u>Direct labour</u>			
Wage rate per hour	Rs. 3	Rs. 4	Rs. 5
Direct labour hours	300	200	400

In accordance with the company's policy, the following are chargeable to the jobs.

Fixed production overheads – Rs. 5 per direct labour hour.

Fixed administration overheads – 80% of works cost.

Profit markup – 20% of selling price.

Calculate the total cost and selling price of Job no. 4321.

6. Answer **any four** of the following : 20

- Write a short note on "Equivalent Production".
- Give the difference between "joint-products" and "by-products".
- What do you mean by "Escalation Clause" ?
- Explain the term 'Overheads' in preparation of a cost sheet. What are the different types ?
- Explain in brief the various undertakings where operating costing is applied.