2024

(November–December)

COMMERCE

(Honours)

(Cost Accounting)

(BC–502)

(Under Revised Syllabus)

Marks : 75

Time : 3 hours

The figures in the margin indicate full marks for the questions

1. (a) "Cost Accounting is a system of foresight and not postmortem examination; it turns out losses into profits, speeds up activities and eliminates wastes." Discuss in detail. 6

(b) Differentiate between Cost Unit, Cost Centre and Cost Object. 4½

(c) Distinguish between Stores Ledger and Bin Card. 4½

Or

(a) Syiem Ltd. buys its annual requirements of 36000 units in 6 instalments. Each unit costs ₹ 1 and the ordering cost per order is ₹ 25. The inventory carrying cost is estimated at 20% of unit value.

Find the total annual cost of the costing inventory policy. How much money can be saved if the company places order by economic order quantity? 6

(b) What are the advantages of LIFO method of valuation of material issue? 4

(c) Following information is provided by Marak Ltd. for the month ended 31st March, 2024 :

Stock	: 01.03.2024—100 units @ ₹ 5 per unit
Purchases	: 05.03.2024—300 units @ ₹ 6 per unit
	12.03.2024—600 units @ ₹ 8 per unit
Issues	: 10.03.2024—250 units
	30.03.2024—400 units

Calculate, using FIFO and LIFO methods, the value of stock of materials on 31.03.2024. 5

2\. *(a)* What is a group bonus? State its advantages over individual bonus. 5

(b) In a company, factory expenses are charged on a fixed percentage of wages and office expenses are charged on the basis of percentage of works costs. The following information is available :

	Order	
	I	*II*
Material (₹)	12,50,000	18,00,000
Wages (₹)	10,00,000	14,00,000
Selling Price (₹)	44,85,000	61,88,000
Percentage of profit on cost (%)	15	12

Calculate the absorption rate for factory overheads and office overheads. 10

Or

(a) What is a blanket overhead rate? In which situation it is used and why? Also state its disadvantages. 5

(b) Using Taylor's differential piece rate system, determine the earnings of Mr. *A* from the following : 5

Standard time per piece—15 minutes

Normal rate per hour—₹ 200

Working hours in a day—8 hours

Output produced—27 units

(c) *X* Ltd. computes its labour turnover rates for second quarter ending September 30, 2023 as 10%, 5% and 3% under Flux Method, Replacement Method and Separation Method respectively. If the number of workers replaced during that quarter is 60, calculate the number of *(i)* workers recruited and joined, and *(ii)* workers left and discharged. 5

3. *(a)* Dhar Construction commenced a building contract on October 1, 2022. The contract price is ₹4,40,000. Following data pertaining to the contract for the year 2023–24 has been compiled from the books is as under :

	₹
April 1, 2023 :	
Work-in-Progress : Not Certified	55,000
Materials at site	2,000
March 31, 2024 :	
Materials at site	4,000
Work-in-Progress : Not Certified	8,000
Work-in-Progress : Certified	4,05,000
2023–24 :	
Expenses incurred :	
Materials issued	1,12,000
Wages paid	1,08,000
Hire of plant	20,000
Other expenses	34,000

The cash received represents 80% of work certified. It has been estimated that further cost to complete the contract will be ₹23,000 including the materials at site as on March 31,2024.

Determine the profit on the contract for the year, 2023–24 on prudent basis which has to be credited to Profit & Loss A/c. 12

(b) Distinguish between Contract Cost and Job Costing. 3

Or

(a) The following is available for *P* Ltd. from its cost records :

	₹
Stock as on 01.09.2023 :	
Raw Materials	7,50,000
Work-in-Progress	2,80,000
Finished Goods	5,40,000
Stock as on 30.09.2023 :	
Raw Materials	9,15,000
Work-in-Progress	3,50,000
Finished Goods	3,10,000
Direct Wages	5,25,000
Indirect Wages	27,500
Sales	20,00,000
Purchases	6,60,000

	₹
Factory Rent, Rates and Power	1,50,000
Depreciation of Plant & Machinery	35,000
Expenses on Purchases	15,000
Carriage Outward	10,000
Advertising	50,000
Office Rent and Taxes	25,000
Travellers' Wages and Commission	65,000

Prepare a detailed Cost Sheet giving break-up of cost and profit. 7

(b) The following data is provided with regards to product *D* for the month of April 2024 :

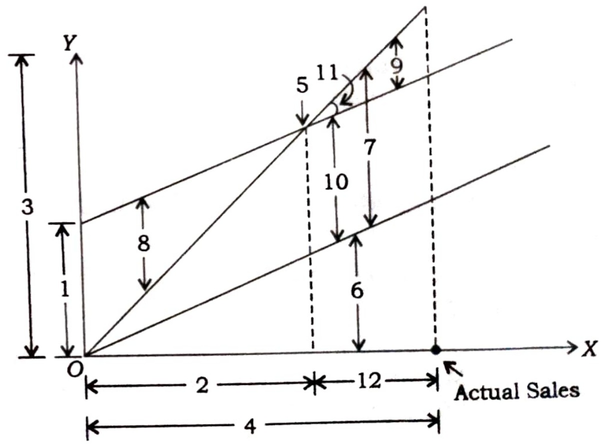
	Process	
	A	*B*
Basic raw material issued @ ₹ 5 (unit)	3000	—
Direct wages	₹ 4,000	₹ 3,000
Direct expenses	₹ 10,000	₹ 14,000
Other expenses	₹ 1,000	₹ 780
Production overheads as % of direct wages	75%	125%
Normal loss as % of unit	10%	5%
Actual output (unit)	2800	2600

Prepare Process A/c and Abnormal Loss or Gain A/c. 8

4. *(a)* *P* Ltd. manufactures and sales a single product whose unit selling price is ₹ 400 and unit variable cost is ₹ 160. Company's fixed cost for the year 2023–24 is ₹ 48,00,000 and margin of safety is 60%. Calculate the net return on sales assuming income-tax rate at 30%. 8

(b) "Marginal costing rewards sales whereas absorption costing rewards production." Comment. 4

(c) Identify the numbered components from the following diagram : 3



Or

(a) Differentiate between Marginal Costing and Absorption Costing. 5

(b) A Ltd. provides the following data :

Year	Sales ₹	Profit ₹
2022–23	60,000	4,000
2023–24	70,000	6,500

You are required to calculate the following : 10

(i) P/V ratio

(ii) BE sales

(iii) Profit when sales are ₹ 90,000

(iv) Sales required to earn a profit of ₹ 18,000

(v) Margin of Safety in the year 2023–24

5. *(a)* What do you think are the essentials of an effective budgetary control system? 5

(b) The following data is provided by Khar Ltd. with regards to standard and the actual labour engaged in a 40 hours week for a job as under :

Category of worker	*Standard*		*Actual*	
	No.	*Wage rate per hour* ₹	*No.*	*Wage rate per hour* ₹
Men	60	50	70	65
Women	20	35	20	40
Youth	20	20	10	15

Standard output—2000 units

Actual output—1800 units

There was loss of 2 hours in the week due to abnormal idle time.

Calculate the following : 10

(i) Labour Cost Variance

(ii) Labour Efficiency Variance

(iii) Labour Rate Variance

(iv) Idle Time Variance

(v) Labour Mix Variance.

Or

(a) SFP Ltd. provided the following for the first five months of 2025 :

Month :	January	February	March	April	May
Sales (units) :	10800	15600	12200	10400	9800

The company has a policy of maintaining finished goods inventory at 25% of sales estimate for the next month. However, on January 1, 2025 the likely finished goods inventory that will be available at 2700 units. There will be no work-in-process at any point of time. Also the company maintains every month materials at a level of half of next month's production. It also provides the following :

Raw Materials	*Requirement of each unit produced*	*Budgeted price*
A	4 kg	₹ 30 per kg
B	5 kg	₹ 20 per kg

Prepare showing monthwise for the first quarter of 2025—

(i) **material budget;**

(ii) **purchase budget.**

Also give the necessary working notes. 12

(b) **Briefly differentiate between budgets and standards.** 3

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