

[Time:2.30 Hrs]

[Marks:75]

Please check whether you have got the right question paper.

- N.B:
1. All question are compulsory.
 2. Figures to the right indicate full marks.
 3. Working note should form part of main answer
 4. Use of simple calculators is allowed

Q. 1. A. Multiple Choice Question:**08**

- i. Which of the following can cause differences between cost and financial accounts?
 - a. Unrecorded expenses
 - b. Different valuation methods for inventory
 - c. Prepaid expenses
 - d. All of the above
- ii. In cost accounting, what is often excluded that appears in financial accounting?
 - a. Overheads
 - b. Capital expenditures
 - c. Depreciation
 - d. Selling expenses
- iii. A common adjustment made during reconciliation is for:
 - a. Internal revenues
 - b. Under/over absorption of overheads
 - c. Shareholder equity
 - d. Interest payments
- iv. In cost accounting, a variable cost is one that:
 - a. Does not change with production levels
 - b. Increases or decreases with the level of production
 - c. Is fixed for a short period
 - d. Remains the same over the long term
- v. The formula for calculating total cost is:
 - a. Fixed Cost + Variable Cost
 - b. Direct Material + Direct Labor + Overheads
 - c. Total Revenue – Profit
 - d. All of the above
- vi. In contract costing, which of the following is considered a direct cost?
 - a. Indirect labor
 - b. Material costs
 - c. Factory rent
 - d. Administrative expenses
- vii. The main feature of contract costing is:
 - a. Continuous production
 - b. Specific contract agreements
 - c. Breakdown of product lines
 - d. Variability of services
- viii. Profit recognition in contract costing often occurs:
 - a. Only at the end of the contract
 - b. Based on the percentage of completion
 - c. When cash is received
 - d. At the start of the contract
- ix. What document is essential for tracking costs in contract costing?
 - a. Purchase order
 - b. Job cost sheet
 - c. Production report
 - d. Financial statement
- x. Process costing is suitable for:
 - a. Custom products
 - b. Mass production of similar items
 - c. Service-oriented businesses
 - d. High-value unique contracts

Q. 1. B. State whether True or False (Any 7 out of 10)**07**

- i. The primary objective of cost accounting is to reduce costs.
- ii. Fixed costs remain constant regardless of production levels.
- iii. Variable costs change with the level of production.
- iv. Direct costs can be easily traced to a specific cost object.
- v. A cost sheet provides a detailed breakdown of total costs.
- vi. Selling and administrative expenses are always considered direct costs.
- vii. Only financial account discrepancies require reconciliation with cost accounts.
- viii. Contract costing is used for projects that take a long time to complete.
- ix. In contract costing, costs are incurred for each specific contract separately.
- x. A profit or loss can be determined at the end of the contract only.

Q.P. Code: 00006414

- Q. 2. A.** From the following information prepare a statement showing (i) Prime cost (ii) Works cost (iii) Cost of Production (iv) Cost of Sales (v) Net profit of X Ltd. which produced and sold 1000 units in June 2009. **15**

Particulars	Rs.
Opening Stock:	
Raw Materials	24,000
Finished goods	16,000
Closing stock:	
Raw Materials	20,000
Finished goods	15,000
Purchase of Raw Materials	80,000
Sales	2,00,000
Direct Wages	35,000
Factory Wages	2,000
Carriage Inward	2,000
Carriage Outward	1,000
Factory Expenses	4,000
Office Salaries	15,000
Office Expenses	12,000
Factory Rent & Rates	2,500
Depreciation - Machinery	2,500
Bad Debts	1,500

OR

- Q. 2. B.** Namita & Co Ltd., manufactured and sold 1000 Radio sets during the year 2009. The summarized accounts are given below: **15**

Mfg. / Trading & Profit & Loss A/c

Particulars	Rs.	Particulars	Rs.
To Cost of Materials	40,000	By Sales	2,00,000
To Direct Wages	60,000		
To Manufacturing Exp.	25,000		
To Gross Profit	75,000		
	2,00,000		2,00,000
To Salaries	30,000	By Gross Profit	75,000
To Rent, Rates & Taxes	5,000		
To General Expenses	10,000		
To Selling & Distribution Exp.	15,000		
To Net Profit	15,000		
	75,000		75,000

It is estimated that output and sales will be 1200 Radio Sets in the year 2010. Prices of Materials will rise by 20% on the previous year's level. Wages per unit will rise by 5% Manufacturing expenses will rise in proportion to the combined cost of materials and wages. Selling and distribution expenses per unit will remain unchanged. Other expenses will remain unaffected by the rise in output. Prepare cost sheet showing the price at which the Radio Sets should be sold so as to earn a profit of 20% on the selling price.

Q.P. Code: 00006414

- Q. 3. A.** M/s. Solitaire builder undertook a contract for a contract price of ₹60,00,000 and commenced the work on 1st July 2013. The following particulars are available for 9 months ended 31-03-2014 **15**

Particulars	₹
Material Issued from Stores	4,00,000
Material Bought Directly	20,50,000
Wages Paid	19,00,000
Direct Expenses	3,00,000
Establishment Charges	1,50,000
Plant	6,50,000
Sub - Contract Charges	1,00,000
Scrap Sold	30,000
Work Certified	50,00,000

The following further information was available:-

- Outstanding wages and direct expenses were ₹10,000 and ₹20,000 respectively on 31-03-2014.
- Material at site at the end of the year is Valued at ₹1,20,000.
- Value of work uncertified ₹2,00,000 on 31.03.2014.
- Included in wages is the salary paid to supervisor @ ₹30,000 p.m. who had devoted half of the time on this contract.
- Working life of the plant is estimated to be 5 years at the end or which it is estimated to be realized ₹50,000 as scrap value. The plant was purchased exclusively for this contract only.

Prepare contract A/c for the year ended 31-03-2014

OR

- Q. 3. B.** The Reema & co construction company undertook the construction of a building at a contract price of ₹12,00,000. The date of commencement of contract was 1st April 2013. The following cost information is given for the year ended 31-03-2014. **15**

Particulars	₹
Material Sent to the site	3,00,000
Wages	4,40,000
Architect Fees	55,500
Office & Administrative Overheads	1,51,000
Work Uncertified	55,000
Material at site at the end of the year	10,000
Cash Received from the Contract (Being 90% of the work certified)	9,45,000
Material Destroyed by Fire	5,000
Supervisors Salary	60,000
Plant and Machinery at Cost	2,00,000

(Date of Purchase - 1st July 2013. The estimated working life of the plant - 10 years and its estimated scrap value at the end ₹ 20,000) You are required to prepare a contract account for the year ended 31st March 2014.

Q.P. Code: 00006414

- Q. 4. A.** M/s Rani & Soni and company manufacture a chemical which passes through three processes. The following particulars gathered for the month of January, 2014. **15**

Particulars	Process I	Process II	Process III
Material (Litre)	400	208	168
Material Cost	₹38,400	₹18,800	₹6,000
Wages	₹7,680	₹7,600	₹2,200
Normal Loss (% of input)	4%	5%	5%
Scrap Sale Value	--	₹3 Per Ltr.	--
Output Transferred to Next Process	50%	40%	--
Output Transferred to ware houses	50%	60%	100%

Overheads are charged @ 50% of Direct Wages. You are required to prepare Process Account

OR

- Q. 4. B.** RamGrowel Ltd. provides you the following information for the year ended 31st March 2014. **15**

Particulars	Process A	Process B	Process C
Raw Material (Units)	12000	2440	2600
Cost of Raw Material Per Unit (₹)	5	5	5
Direct Wages ₹	34000	24000	15000
Production Overheads ₹	16160	16200	9600
Normal Loss (% of Total No. of Units entering to the process)	0.04	0.05	0.03
Wastage (% of Total No. of Units Entering to the Process)	0.06	0.05	0.04
Scrap Per Unit of Wastages ₹	3	4	5
Output Transferred to Subsequent Process	0.7	0.6	--
Out Sold at the End of the Process	0.3	0.4	1
Selling Price Per Unit ₹	12	16	17

- Q. 5. A.** Explain the different classifications of costs **08**

- Q. 5. B.** What are the unique features of contract costing? **07**

OR

- Q. 5. C** Short Notes: Attempt (Any 3 out of 5) **15**

- Research and Development Cost
- Historical Costs
- Works Overheads
- Cost centers
- Cost units
