COST ACCOUNTING

CHAPTER 1: COST SHEET

SIMPLE COST SHEET

Q.1. From the following particulars extracted from the costing records of a Mfg. Co., You are required to prepare a cost statement showing in detail the elements of total cost:

Particulars	Rs.	Particulars	Rs.
Materials (Direct) consumed	15,093	Advertising	1,129
Direct Wages	7,220	Machinery Repairs	274
Direct Expenses	1,420	Staff Salaries	1,746
Factory Expenses	1,172	Carriage on sales	673
Office Expenses	995	Foremen's wages	956
Directors' fees	500		

Also ascertain the net profit if the total sales is Rs.40,000 and cost per unit if units manufactured and sold are 1,000.

Q.2. The following is the extract of the costing information for the year ended 31/3/2005:

Particulars	Rupees
Sales	1,96,000
Purchase - raw materials	60,000
Direct Wages	60,000
Rent, rates, insurance and other works on cost	21,000
Carriage inward	1,000
Opening Stock:	
Raw materials	10,000
Finished Goods (200 tons)	12,000
Closing Stock:	
Raw materials	11,000
Finished Goods (400 tons)	?
Supervision (factory charges)	3,000
Advertising	4,000
Office overheads	30,000
Selling expenses	6,000
Carriage Outward	2,000

3,000 tons of the commodities were produced. Prepare a detailed cost statement showing: a) Cost of the output - total as well as per unit. b) Net profit for the year.

Q.3. A, B & C are partners sharing profits & losses equally. A is a sleeping partner. B looks after the factory & C looks after the administration. The following figures are extracted from their books for the year ended 30th June 2007

Raw materials purchased	50,000
Wages Direct	30,000
Wages Indirect	5,000
office salaries	10,000
Carriage inward	1,000
Carriage outward	3,000
Sales	2,00,000
Opening Stock: Raw material	20,000
Finished goods	5,000
Traveling expenses	1,000
Advertising	3,000
Power	1,000
Agents commission	5,000
Plant maintenance	4,000
Rent, rates & Taxes (9/10 for works & 1/10 for office)	1,000
Sundry expenses: Works	1,000
Office	2,000
Building repairs	1,000
Salary to partners: B	2,000
C	1,000
Depreciation: Plant & Machinery	2,000
Building	1,000
Closing Stock: Raw materials	20,000
Finished Goods	3,000

Building is occupied 9/10 by factory & 1/10 by office. You are required to prepare a detailed cost statement assuming 10,000 units were produced during the year.

Q.4. The accounts of X Mfg Co. for the year ended March 2005 shows the following:

Particulars	Rupees	Particulars	Rupees
Drawing office salaries	6,500	Materials purchased	1,85,000
Counting house salaries	12,600	Travelling expenses	2,100
Carriage outwards	4,300	Travelers salaries &	
Carriage on purchases	7,150	Commission	7,700
Bad debts written off	6,500	Productive wages	1,26,000
Repairs of plant, machinery & Tools	4,450	Depreciation: -	
Rent, rates, taxes & insurance:-		Plant, Machinery & Tools	6,500
Factory	8,500	Furniture	300
Office	2,000	Directors fees	6,500
Sales	4,61,100	Gas & Water:-	
Stock of materials: 31/3/04	62,300	Factory	1,200
31/3/05	48,000	Office	400
Loss on sale of plant	300	Managers salary	
Income tax paid	2,000	(¾ Factory & ¼ Office)	10,000
		General expenses	3,400

Prepare a statement showing the following information:
a) Materials consumed b) Prime cost c) Factory cost d) Total cost
e) Net profit f) General overhead as a % of factory cost
g) Factory overhead as a % on wages

Q.5. From the following particulars of a manufacturing firm prepare a statement showing:
(a) Cost of materials used (b) Works cost (c) Cost of production
(d) % of works overhead to productive wages (e) % of general overhead to works cost.

Particulars	Rs.	Particulars	Rs.
Stock of materials on 1/6/2005	40,000	Finished goods sold	24,00,000
Purchases of Raw materials in June 2005	11,00,000	Works overhead charges	1,50,000
Stock of Finished goods on 1/6/2005	50,000	Office & General expenses	1,00,000
Productive wages	5,00,000	Stock of material on 30/6/2005	1,40,000
		Sock of finished goods on 30/6/2005	60,000

Q.6. Mr. Raj furnishes the following data relating to the manufacture of X standard product during the month of April 1998.

Raw material consumed	Rs. 15,000
Direct labour charges	Rs. 9,000
Machine hours worked	900 Hours
Machine hour rate	Rs. 5
Administrative overheads	20% on Works Cost
Selling overheads	Re. 0.50 per unit
Units produced	17,100
Units sold	16,000 @ Re. 4 per unit

You are required to prepare a cost sheet from the above showing:
(a) The cost per unit (b) Profit per unit sold & profit for the period

Q.7. Prepare a cost sheet for the year ended 31/3/05:

On 1/4/2004:		On 31/3/2005:	
Stock of finished goods	6,000	Stock of finished goods	15,000
Stock of Raw materials	40,000	Stock of raw materials	50,000
Work-in-progress	15,000	Work in progress	10,000
Purchase of raw materials	4,75,000	Sales for the year	8,60,000
Carriage inward	12,500	Income tax	500
Wages	1,75,000	Dividend	1,000
Works Managers Salary	30,000	Debenture interest	5,000
Factory Employees Salary	60,000	Transfer to sinking fund	
Factory rent, taxes & insurance	7,250	Replacement of Machinery	10,000
Power expenses	9,500	Payment of sales tax	16,000
Advance income tax paid	3,000	General Expenses	32,500
Other production expenses	43,000		

Q.8. From the accounts of Allied Co. Ltd following Manufacturing, Trading and profit & loss account for the year ended 31/12/2002 were extracted.

Particulars	Rs.	Particulars	Rs.
To Opening stock of R.M	29,500	By Closing stock of R.M	32,000
To R.M purchased	1,86,500	By W.I.P:	
To Wages paid	2,81,000	Materials 4,000	
To Wages accrued	17,000	Wages 5,500	
To Factory expenses	1,90,750	Factory expenses 3,300	12,800
		By Cost of goods Manufactured	6,59,950
	7,04,750		7,04,750
To Cost of goods Manufactured	6,59,950	By Sales (7,600 units)	9,12,000
To Administration expenses	1,22,500	By finished stock (1400 units)	1,17,600
To Selling & Distribution Exps	1,64,000	By Interest on investment	1,300
To Preliminary Exps written off	10,000	By dividend earned	5,500
To Goodwill written off	7,500		
To Net profit	72,450		
	10,36,400		10,36,400

The following procedure is adopted in costing of the products

a) Factory expenses are allocated to production @ 60% on direct labour.
b) Administrative expenses are applied @ Rs.12 p.u. on units produced.
c) Selling expenses are so charged to work out 20% of selling price.

You are required to prepare a cost sheet in respect of above.

Q.9. Prepare a cost sheet showing the total and per tonne cost of paper manufactured by Times Paper Mills Ltd. for the month of March, 2007. There were 26 working days in a month.

Direct Raw Materials:	
Paper Pulp	6,000 tons @ Rs.900 tonne.
Direct Labour:	
280 Skilled Workmen	Rs.250 per day
300 Semiskilled Workmen	Rs.150 per day
470 Unskilled Workmen	Rs.100 per day
Direct Expenses:	
Special Equipments hire charges	Rs.12,000 per day
Special dyes	Rs.250 per tonne of total raw material input
Work Overheads:	
Variable	@ 50% Direct Wages
Fixed	Rs.2,70,000 p.m
Administrative overheads	@ 12% of Works cost
Selling and Distribution overheads	Rs.80 per tonne sold.
Opening Stock of Paper	500 tonnes valued @ Rs.2,501.60 per ton
Closing Stock of Paper	300 tonnes valued at cost of production

The paper is sold @ Rs.3,000 per tonne. **(April 1997)**

Q.10. Bomb Mills Ltd collected the following figures during the month of September 2003:

Opening stock of wheat	20,000	Purchases during the month	4,00,000
Factory wages	3,00,000	Factory salaries	80,000
Selling expenses	79,000	Administrative expenses	30,000

Closing stock of wheat	30,000	Other material consumed	40,000
Power	50,000	Packing & delivery expenses	50,000
Sale of residue	5,000		

Production during the month 2,000 tons. Prepare a cost sheet.

Q.11. You are required to prepare: (a) Statement of cost of production.
(b) Statement of total cost of machines sold. (c) Percentage of net profit to sales.
(d) % of prime cost, works cost, & cost of production bear to total cost.

Raw material (1/10/04)	30,000	Purchase of Raw material	4,50,000
Wages paid	2,30,000	Factory overheads	92,000
W.I.P (1/10/04)	12,000	Raw material (31/3/05)	25,000
W.I.P (31/3/05)	16,000	Finished goods (1/10/04)	60,000
Finished goods (31/3/05)	55,000	Selling & Distribution Oh	20,000
Sales	9,00,000	Administration Oh	30,000

Q.12. Dunkel Ltd. started a factory in Navi Mumbai as on 1st April, 2005. Following details are furnished about its activity during the year ended 31st March, 2006: **(October1996)**

1) Raw Material consumed – 40,000 units @ Rs.7 p.u.
2) Direct Wages- Skilled worker Rs.9 p.u, Unskilled Worker Rs.6 p.u.
3) Royalty (on raw material consumed) @ Rs.3 per unit.
4) Works Overheads @ Rs.8 per machine hour.
5) Machine Hours Worked 25,000.
6) Office Overheads at 1/3 of works cost.
7) Sales Commission @ Rs.4 Per unit.
8) Units Produced 40,000.
9) Stock of Units at the end 4,000 units to be valued at cost of production per unit.
10) Sale Price is Rs.50 per unit.

Prepare cost sheet showing the various elements of cost, both in total & per unit.

Q.13. The following details are available for the year ending 2004.

	Rs.
Direct wages	60,000
Purchase of Material	72,000
Indirect Materials	5,400
Office Salaries	7,200
Employer's Contribution to Employees State Insurance	600
Printing & Stationary	1,200
Power & Fuel	5,400
Legal Charges	864
Office Rent	1,200
Sales (9000 units)	1,80,000
Opening Stock :	
Raw Materials	12,000
Work in Progress	2,880
Finished Goods (600 units at the rate of Rs. 16.25 per unit)	

Closing Stock:

Raw Materials	13,344
Work in Progress	9,600
Finished Goods (1200 units)	?

Value the Finished Stock at Cost of Production. Prepare a Cost Sheet. **(April 2005)**

Q.14. From the following particulars prepare cost sheet:

Opening Stock of Raw Materials	1,10,000
Purchase of Raw Material	8,25,000
Carriage Outwards	28,500
Direct Wages	4,21,400
Direct Power	25,840
Technical Directors Salary	40,590
Factory Rent, Rates & Insurance	10,140
Sale of Factory Scraps	1,460
Depreciation on Factory Buildings	75,200
Closing Work in Progress	1,20,260
Factory Stationery	12,340
Opening Stock of Finished Goods	45,280
Closing Stock of Raw Materials	36,920
Fees to Brand Ambassador	2,00,000
Stationery and Printing	12,200
Staff Salaries	6,30,000
Trade Discount	1,20,000
Office Rent	60,000
Free Sample Expenses	20,320
Closing Stock of Finished Goods	50,240

Sales are made to earn profit @ 10% on Cost Price. **(October 2006)**

Q.15. The following particulars have been extracted from the books of M/s. Sohan Manufacturing Company for the year ended 31-03-2007:

Opening Stock of Raw Materials	2,35,000	Salesmen's Salaries and Commission	42,000
Closing Stock of Raw Materials	2,50,000	Productive Wages	7,00,000
Raw Materials Purchase	10,40,000	Depreciation on Plant and Machinery	35,500
Drawing Office Salaries	48,000	Depreciation on Office Furniture	3,000
Royalty on Production	70,000	Directors Fees	30,000
Carriage Inwards	41,000	Gas and Water Charges (Factory)	7,500
Cash Discount Allowed	17,000	Gas and Water Charges (Office)	1,500
Repairs to Plant and Machinery	53,000	Manager's Salaries	60,000
Rent, Rates and Taxes (Factory)	15,000	Cost of Catalogues Printing	10,000
Rent, Rates and Taxes (Office)	8,000	Loose Tools Written off	8,000
Office Conveyance	15,500	Trade-Fair Expenses	10,000

Out of 48 hours in a week, Manager devotes 40 hours for factory and 8 hours for office per week for the whole year. The Management has fixed the selling Price @ 110% of cost. Prepare detailed cost statement for the year ended 31-03-2007. **(April 2008)**

Q.16. From the books of accounts of M/s Avadhoot Enterprises, the following details have been extracted for the year ended 31.12.2005:

Stock of Materials – Opening	2,70,000
Stock of Materials – Closing	3,00,000
Purchases of Materials	12,48,000
Direct wages	3,57,600
Direct Expenses	1,20,000
Indirect Wages	24,000
Salaries to administrative staff	60,000
Carriage inwards	48,000
Carriage Outwards	37,500
Managers Salary	72,000
General Charges	37,200
Legal Charges for Criminal Suit	20,000
Commission on Sales	28,000
Fuel	96,000
Electricity Charges (Factory)	72,000
Directors Fees	36,000
Repairs to Plant and Machinery	63,000
Rent, Rates and Taxes – Factory	18,000
Rent, Rates and Taxes – Office	9,600
Depreciation on Plant and Machinery	45,000
Depreciation on Furniture	3,600
Salesman salaries	50,000
Audit Fees	18,000

(1) The Managers time is shared between the factory and the office in the ratio of 20:80
(2) Carriage outwards include Rs.7,500 being carriage inwards on Plant and Machinery
(3) Selling Price is the 120% of the cost price.
From the above details prepare detailed cost sheet for the quarter ending 31.12.2005 and ascertain sales. **(April 2006)**

Q.17. Prepare cost sheet for the year ended 31.3.09. **(October 2010)**

Opening Stock:		Depreciation:	
Raw Materials	20,000	Plant and Machinery	80,000
Finished Goods	30,000	Delivery Van	20,000
Purchase of Raw Materials	15,00,000	Income Tax	1,20,000
Direct Wages	12,00,000	Salaries	2,50,000
Power	99,500	Donations	70,000
Carriage on Purchase of Raw Materials	20,000	Establishment Expenses	1,00,000
Cost of a Special design	50,000	Rent of Showroom	65,000
Custom Duty and Octroi on Raw Materials	60,000	Interest on Loan	45,000
Rent and Rates:		Sale of Factory Scrap	7,500
Office	50,000	Dividend Received	17,500
Factory	70,000	Directors Fees	60,000
		Mailing Charges of Sale Literature	10,000

Telephone Expenses	30,000	Closing Stock:	
Advertisement	75,000	Raw Materials	1,85,000
Electricity:		Finished Goods	30,000
Office	15,000	Machinery Lost in Fire	1,00,000
Factory	30,000		

Q.18. Details are furnished by K.K.Ltd of expenses incurred during the year ended 31.3.06:

Direct Wages	1,10,000	Audit Fees	11,500
Purchase of Raw Materials	2,40,000	Demonstration Expenses	13,300
Factory Rent	35,000	Furniture Loss by Fire	8,000
Cost of Catalogues	17,100	Indirect Materials	26,000
Sundry Expenses	18,500	Office Salaries	27,500
Depreciation on Plant and		Store Keepers Salary	9,000
Machinery	19,000	Depreciation on	
Opening Stock of Raw Materials	25,000	Office Equipments	10,000
Repairs to Office Furniture	12,500	Commission on Sales	15,675
Carriage Outwards	25,650	Direct Expenses	90,000
Interest on Loans	12,700	Materials Handling Charges	11,000
Closing Stock of Raw Materials	15,000	Machinery Purchased	1,40,000
Distribution of Free Samples	13,775		

(a) Stock of Finished Goods at the end 500 units to be valued at cost of production.
(b) Number of Units sold during the year were 9,500.
(c) Profit desired on sales is 20%.

Prepare Cost Sheet showing the various elements of cost both in total and per unit and also find out the total profit and per unit profit. **(April 2010)**

DOUBLE PRODUCT COST SHEET

Q.19. Sapna transistors ltd Manufactures 2 kinds of transistors viz. Sapna & Dreamland. From the following particulars, prepare a statement showing the cost & profit per transistors for each of the 2 brands.

Particulars	Sapna (Rs.)	Dreamland (Rs.)
Materials	1,40,000	96,000
Wages	1,80,000	1,20,000
No. of transistors manufactured and sold during the year ended 31/3/76	4,000	2,400
Sale price per transistor	175	200

Factory overheads are 100% on wages & the office overheads are 20% on works cost. Selling and distribution overhead are Rs 10 Per transistor. Prepare a statement of cost.

Q.20. M/s Vishal Mfg. Co. manufactures two types of products viz. A and B. The information for the year ended on 31st March, 2008 is under **(April, 1998)**

Particulars	Products	
	A (Rs.)	B (Rs.)
Direct Material Per unit	100	120
Direct Labour Per unit	60	50
Direct Expenses Per unit	40	80

Factory Expenses are charged at 20% of Prime Cost
Office Expenses are charged at 25% of Works Cost.
2,000 units of Product A were produced of which 1,500 units were sold and 5,000 units of Product B were produced of which 4,500 units were sold.
Selling expenses are Rs.15 per unit for product A and Rs.20 per unit for Product B.
Company charges a profit at 20% on sales for both the products.
Prepare a cost sheet showing the cost and profit in total as well as in per unit.

Q.21. M/s ABC shoes co. manufactures 2 types of shoes A & B. Prepare a statement showing cost and profit. Production cost for the year ended 31/3/2005 were:

Particulars	Rs.
Direct materials	15,00,000
Direct wages	8,40,000
Production overhead	3,60,000
	27,00,000

There was no Work in Progress at the beginning or at the end of the year. It is ascertained that:

a) Direct material in Type A shoes consists twice as much as in type B
b) Direct wages for type B shoes were 60% of those of Type A shoes
c) Production oh was the same per pair of A & B type.
d) Administration oh for each type was 150% of direct wages
e) Selling cost was Rs. 1.50 per pair
f) Production during the year was Type A 40,000 pairs of which 36000 were sold and type B 1,20,000 pairs of which 1,00,000 were sold.
g) Selling price was Rs 44 for Type A and Rs. 28 for type B per pair.

Q.22. In a factory 2 types of radios are manufactured viz. Akai & Sony models. From the following particulars prepare a statement showing cost & profit per radio sold. There is no opening or closing Stock.

Particulars	Akai	Sony
Materials	27,300	1,08,680
Labour	15,600	62,920

Work overhead is charged @ 80% on labour and office overhead is taken @ 15% on works cost. The selling price of both radios is Rs 1000. 78 Akai Radios & 286 Soni radios were sold and purchased.

Q.23. A Company manufactures 2 types of products viz. A and B. Following information is available for the year ended 31.3.2008

Particulars	Rs.
Direct materials	6,75,000
Direct wages	9,90,000
Works overheads	1,95,000

1) Direct material used per unit in Product A was 3 times that of Product B.
2) Direct wages per unit in Product B were 2/3 that of product A.
3) Works overheads per unit were the same for both the products.

4) Administration overheads were 100% of the prime cost in each of the products.
5) Selling and Distribution cost per unit was Rs.6 for both A & B.
6) 35,000 units of product A were produced, of which 32,000 units were sold @ Rs.100/- p. u.
7) 30,000 units of Product B were produced, of which 25,000 units were sold @ Rs.65/- p.u.

Prepare Cost Sheet showing total cost and per unit for both the products. **(October 1998)**

Q.24. M/s. Vidya Pen Company manufactures two types of pens "Sharada " and "Viveka". The particulars for the year ended 31st March,2009 were as follows:

Particulars	Rs.
Direct Material	5,00,000
Direct Wages	2,25,000
Direct Expenses	75,000
Total Sales	10,00,000

1) Direct Material p.u in "Sharada Pen " consists twice as much as that in type "Viveka Pen"
2) The Direct Wages per unit for "Viveka Pen" were 40% of those for "Sharada Pen ".
3) Direct Expenses were same per unit for Viveka as well as Sharada Pen.
4) Factory Overheads were 20% of the prime cost.
5) Administrative Overheads were 50% of Direct Wages.
6) 2,500 units of Sharada Pen were produced of which 2,000 were sold and 5,000 units of Viveka Pen were produced of which 4,000 were sold, during the year.
7) Selling Overheads were Rs.8 p.u. for Sharada Pen and Rs.9 p.u for Viveka Pen.
8) Selling price per unit for Sharada Pen was Rs.250 and Viveka Pen was Rs.125

Prepare Cost Sheet in total as well as P.U. for Sharada pen and Viveka Pen. **(October 1999)**

DUAL PRICE CALCULATION

Q.25. The Government of India has instituted the dual pricing system in the industry in which your organisation operates. You are the head of the costing division of Raja textiles. Ltd. Your company produces a standard type of cloth, 50% of which is procured by the government at a price of Rs. 4 per meter. You are required by the managing director of your company to suggest a suitable price for the cloth to be sold in the open market. Production during 2004-05 has been 20,00,000 meters of cloth. Relevant information is given below.

Cotton consumed	10,00,000	Depreciation of Office Machines	1,00,000
Direct labour in factory	10,00,000	Miscellaneous office expenditure	1,00,000
Carriage inward	50,000	Purchase of computers for office	20,00,000
Indirect labour in factory	4,00,000	Miscellaneous purchase of	
Salary of works director and other		furniture and machinery for office	5,00,000
staff in factory	2,50,000	Dividend paid	12,00,000
Water, power, taxes (factory)	5,00,000	Directors fees	2,00,000
Dyeing, bleaching etc.	10,00,000	Advertising	10,00,000
Depreciation(Factory)	2,00,000	Commission to Salesman	10,00,000
Excise & other taxes	30,00,000	Packing & Forwarding (Sales)	2,00,000
Miscellaneous exps (Factory)	1,00,000		
Salary of managing director	1,00,000		

Office salaries	10,00,000		
Commission paid to foreign buyers	1,00,000		
Expenditure on Sales depot	4,00,000		

1) The company expects a fair return of 20% on its paid up capital, which is Rs.1,00,00,000.
2) Marketing expenses are outstanding Rs.1,00,000

Suggest the open market price after preparing a cost analysis sheet.

Q.26. The State Government granted license to Sweet Sugar Ltd. to manufactures and sell sugar with a stipulation that 40% of the output should be sold to the State Government at a controlled price of Rs.3,000/- per ton and the balance output can be sold in the open market at any price. Following are the details of Sweet Sugar Ltd. for the year ended 31st March,2009.

During the year 3,600 tons Sugarcane was consumed @ Rs.1,000/- per ton.

Direct labour amounted to Rs.825 per ton of Sugar produced.

The details of other expenditure are as follows:

Particulars	Rs.	Particulars	Rs.
Direct Expenses	4,20,000	Bank Interest	1,65,895
Telephone Charges	3,52,695	Factory Electricity	2,61,880
Office Computer purchased	2,75,350	Delivery Van Expenses	1,06,850
Factory Rent and Insurance	3,54,760	Coal Consumed	3,80,125
Machinery purchased	4,25,560	Depreciation on Machinery	2,49,600
Machinery Repairs	98,847	Depreciation on Computer	2,04,180
Commission on Sales	3,37,650	Depreciation on Delivery Van	1,57,360
Factory Salaries	2,19,588	Office Salaries	1,89,325
Carriage Outward	1,54,090	Printing and Stationery	1,13,000
Packing Expenses	1,94,450		

During the year 2,400 tons of Sugar was produced. The Company's Profit target for the year, for fixing the open market selling price on the basis of cost sheet, is 10% of it's average paid-up Capital of Rs.1,42,56,000.

Prepare cost sheet and find various components of total cost and per unit cost and suggest the Selling Price for Open Market. **(April 2000)**

ESTIMATED COST SHEET

Q.27. On 12th November,2004 the Hero Cycle Manufacturing Company was required to quote for a contract for the supply of 500 bicycles. From the following details prepare a

statement showing the price to be quoted to give the same percentage of net profit on turnover as was realised during the 6 months to 30th September 2004:

Stock of materials:		Direct Wages for 6 months	1,50,000
On 1/4/04	50,000	Indirect Charges for 6 months	25,000
On 30/9/2004	7,000	Completed Stock in hand:	
Purchase of materials (6 months		On 1/4/04	Nil
from 1/4/04 to 30/9/04)	75,000	On 30/9/04	50,000

The number of bicycles manufactured during the 6 months was 2,000 including those sold and those in stock at the end of the period. The bicycles to be quoted for are to be of uniform size and quality and similar to those manufactured during 6 months ended 30th September. As from 1st November, the cost of factory labour has increased by 10% & that of materials by 15%. Sales during 6 months to 30/9/04 was Rs. 2,70,000

Q.28. From the following particulars you are required to prepare a statement showing:
a) The cost of materials consumed b) Prime cost c) Works cost d) Total cost
e) The percentage of general overhead to works cost.

Opening Stock of finished goods	72,800	Office & general expenses	70,161
Purchase of raw materials	7,59,200	Opening Stock of raw materials	33,280
Sales of finished goods	15,39,200	Productive wages	5,16,880
Work overhead charges	1,29,220	Closing Stock of finished goods	78,000

The Company is about to send a tender for a large plant. The costing dept. estimated that the materials required would cost Rs 52,000 & the Wages to workmen for making the plant would cost Rs 31,200. The tender is to be made at a net profit of 20% on selling price. Show what would be the amount of tender if based on the above percentages.

Q.29. Ms Godan & sons manufactured and sold 2,000 typewriters in the year 07-08.
Its summarized Trading & profit & loss account for the year 2007-08 is as below:

Particulars	Rs	Particulars	Rs
To Materials consumed	1,20,000	By Sales	6,00,000
To Direct wages	1,80,000		
To Manufacturing Charges	75,000		
To Gross profit c/d	2,25,000		
	6,00,000		6,00,000
To Management expenses	90,000	By Gross profit b/d	2,25,000
To General expenses	30,000		
To Rent Rates & taxes	15,000		
To Selling expenses	45,000		
To Net profit	45,000		
	2,25,000		2,25,000

For the year 2008-09 it is estimated that:
a) Output & sales will be 3,000 typewriters.
b) Price of materials will rise by 25% whereas Wages per unit will rise by 10%
c) Manufacturing charges will increase in proportion to the combined cost of materials & wages.
d) Selling cost per unit will remain unchanged.
e) Other expenses will remain unaffected by the rise in output.

Prepare a statement showing the cost at which typewriters will be manufactured in 08-09 and give price at which it should be marketed so as to give a profit of 10% on selling price.

Q.30. Vijaya Manufacturing company for the year ended 31-12-2008 was as follows:

Particulars	Rs.	Particulars	Rs.
To Raw materials purchased	80,000	By Sales (2500 units)	2,50,000
To direct wages	30,000	By Closing stock of raw	
To Direct expenses	25,000	Materials	5,000
To Factory expenses	40,000		
To Gross profit c/d	80,000		
	2,55,000		2,55,000
To Office salaries	25,000	By Gross profit b/d	80,000
To Office rent	12,000	By Dividend received	10,000
To Selling expenses	12,500	By Discount received	7,500
To Preliminary expenses W/off	2,500		
To Goodwill W/off	5,500		
To Net profit c/d	40,000		
	97,500		97,500

For the year ended 2009, it is estimated that: –

1) Units produced and sold will rise by 20%.
2) Prices of Raw Material per unit will rise by 10%.
3) Direct Wages per unit will increase by 25%.
4) Direct Expenses will increase by Rs. 5,000 in total.
5) Factory Expenses per unit will increase by 25%.
6) The Office premises which were on rental basis in 2008 would be purchased by the company, on which depreciation would be Rs. 6,000/- in 2009.
7) Selling expenses per unit will remain same.

Prepare a statement showing estimated cost and profit for the year ended 31-12-2009 considering that company shall charge a profit at 20% on sales. **(April1999)**

Q.31. The following information has been obtained form the cost Ledger of a manufacturing concern for the year 2004-05:

Particulars	Rs.
Rates of Factory	1,400
Lighting of Factory	2,600
Depreciation on plant	3,500
Clerical salaries	12,000
Management Expenses	6,000
Power	4,500
Factory Indirect Wages	12,250
Plant Repairs and Maintenance	10,000
Defective Work (cost of Rectification)	2,800
Consumable Stores	7,500
Selling Expenses	7,330
General Expenses	4,600
Receipts from sale of scrap	1,200

Profit from Canteen	500

Production has been 1,00,000 units, the prime cost of which has been as: Materials 90 Paise and Wages 60 Paise per unit. The net selling price was Rs.2.35 per units being sold.

As from 1st April, 2005-06 the selling price was reduced to Rs.2.25 per unit. It was estimated that production could be increased in 2005-06 50% without adding an extra shift. You are asked to prepare statements showing:

a) The various elements of cost in 2004-05,
b) The estimated cost and profit for 2005-06 assuming that 1,50,000 units will be produced and sold in that year.

Q.32. Your company is an export-oriented organisation manufacturing a certain product. The company is to send quotations to the foreign buyers of your product. As the cost accountant you are required to help the management in the matter of submission of the quotation by the Preparation of a cost estimate based on the following figures relating to the year 2008.

(Total output in units 20,000)

Local raw materials consumed	10,00,000
Imports of raw materials	1,00,000
Direct labour in works	10,00,000
Indirect labour in works	2,00,000
Storage charges of raw materials	50,000
Fuel	1,50,000
Tools consumed	20,000
Depreciation on plant	1,00,000
Salaries of work personnel	1,00,000
Excise duty	2,00,000
Administrative expenses.	2,00,000
Salary of Joint managing director	40,000
Fees of directors	20,000
Expense on advertising	1,60,000
Selling expenses	1,80,000
Sales depot exp.	1,20,000
Packing and Distributing.	1,20,000

1) Local raw material now costs 10% more.
2) A profit margin of 10% on sales is kept.
3) The govt. grants subsidy of Rs. 100 per unit of export.

Prepare a cost statement for the year 2008 and prepare quotation.

Q.33. The following figures have been obtained from the cost records of Z Manufacturing Company for the year 2004-05:

Particulars	Rupees
Cost of materials	2,40,000
Wages for labour	2,00,000
Factory overheads	1,20,000

Distribution expenses	56,000
Administration	1,34,400
expenses	89,600
Selling expenses	68,000
Profit	

A work order has been executed during the year 2005-06 & the expenses have been incurred: (a) Cost of materials Rs.32,000 and (b) Wages Rs.20,000.

Assuming that overheads went up by 20%, distribution charges went down by 10% and selling and administration expenses went up by 12.5%. At what price should the product of the job be quoted so as to earn the same (earlier) rate of profit on the selling price? Distribution, administrative and selling charges are based on the factory cost.

Q.34. The following figures relate to the costing records of manufacture of Sandhya electric fan of 1 standard type for a period of 3 months:

Completed stock 1/4/05	Nil	Wages of workers	7,50,000
Completed stock on 30/6/05	2,02,000	Indirect overheads	1,25,000
Stock of raw material 1/4/05	50,000	Raw material purchases	3,25,000
Stock of raw material 30/6/05	35,000	Sales	11,25,000

The number of fans manufactured during the 3 months were 20,000. Prepare a statement showing the cost per fan & the price to be quoted for 10,000 fans to realise the same percentage of gross profit as was realised during the 3 months referred to above. Assume that there are no changes in cost.

Q.35. Following information relates to the cost of manufacturing electric fans of uniform size & quality for the 3 months ended 31/12/02.

Opening Stock of finished goods on 1.10.02	Nil
Closing stock of finished goods on 31.12.02	20,250
Raw materials on 1.10.02	5,000
Raw materials on 31.12.02	3,500
Factory Wages	75,000
Indirect Expenses	12,500
Materials purchased during the quarter	32,500
Sales during the quarter	1,12,500

Number of fans manufactured during the quarter was 3,000 units. Prepare a cost sheet to find out cost of each fan, also make a statement to find out profit or loss made during the quarter.

What price is to be quoted for 750 fans to realize the same % of profit as realized during the quarter-ended 31.12.02

Q.36. Swadeshi Electronics Ltd have the following information for the year ended 31.3.2006:

Production and Sales (units)	15,000
Sales (Rs)	12,75,000
Direct Wages	2,70,000
Direct materials	3,30,000

Factory overheads	2,25,000
Administrative overheads	1,05,000
Sales overheads	90,000

On account of intense competition, following changes are estimated in following year

1) Production and Sales activity will be increased by 1/3rd.
2) Materials rate will be lower by 25%. However, there will be increase in consumption by 20% due to quality difference.
3) Direct Wages cost will be reduced by 20% due to automation.
4) Out of the above factory overheads, Rs.45,000 are of fixed nature. The remaining factory expenses are variable in proportion to the number of units produced.
5) Total administrative overheads will be lower by 40%.
6) Sales overheads per unit will remain the same.
7) Sale price per unit would be lower by 20%.

Prepare a statement of cost for both the years ending 31st March, 1996 and 31st March 2007. Show maximum details of cost. **(April 1996)**

Q.37. Super Vision furnishes you with the following information about its 1000 TV. Sets manufactured and sold during the year:

Materials	18,00,000	Office & Administration Ex	6,80,000
Direct Wages	10,00,000	Selling & Distribution Ex	1,20,000
Power& Stores	2,40,000	Sale of Scrap	40,000
Indirect Wages	3,00,000	Sale of 1000 TV sets	62,00,000
Factory Lighting	1,20,000	Repairs & Depreciation of	
Cost of rectify defective work	60,000	Machinery	2,00,000

Prepare the cost sheet for the above year, showing the elements of cost per unit. Prepare also the estimated cost sheet for the next year assuming that:-

1) Materials cost & direct wages cost will increase by 10% & 15% respectively.
2) Factory-overheads will be recovered as a % of direct wages, as last year.
3) Office-Overheads and Selling Overheads will be recovered as % of works cost, as last year,
4) 1500 TV sets will be produced & sold at Rs.6,500 each in the next year. **(April2002)**

Q.38. Following information for 10000 T.V. valves manufactured during the year 2007-08.

Materials	90,000
Direct wages	60,000
Power & consumable stores	12,000
Factory indirect wages	15,000
Lighting of factory	5,500
Defective work (Cost of rectification)	3,000
Clerical salaries & management expenses	33,500
Selling expenses	5,500
Sale proceeds of scrap	2,000
Plant repairs & maintenance & depreciation	11,500

The net selling price was Rs 31.60 per unit sold and all units were sold. As from 1/4/08 the selling price was reduced to Rs.31 per unit. It was estimated that production could be increased in 2008-09 by 50% due to spare capacity. Rates for materials & direct wages will increase by 10%.

You are required to prepare:
1) Cost sheet for the year 2007-08 showing various elements of cost.
2) Estimated cost profit for 2008-09 assuming that 15,000 units will be produced and sold during the year & factory overheads will be recovered as a percentage of direct wages and office and selling expenses as a percentage of works cost.

Q.39. The Management of a manufacturing concern has approached the Costing Department to find out the cost of 6,000 units. The cost analysis of 4000 units gives the following results:

1. Materials Rs. 90,000.
2. Labour Rs. 50,000.
3. Direct Expenses Rs. 1,000.
4. Factory Overheads Rs. 2,000.
5. Administrative Overheads Rs. 1,600.
6. Selling and Distribution Overheads Rs. 800.

The further details in this connection are as follows:-
(a) An increase of 10% is expected in the cost of raw material and 5% in the cost of labour.
(b) 70% of the factory overheads are fixed and 30% are variable.
(c) The ratio of fixed and variable part of administration overheads is 60:40.
(d) 50% of the Selling and Distribution overheads are fixed.
The management desires to charge 25% profit on sale price.
Prepare cost statement for 4000 units with maximum break up of cost and ascertain selling price for the production of 6000 units. **(April 2007)**

Q.40. Following information is available from cost records for the year ended 31st Dec, 2004.

Direct Material	Rs. 36 Per Unit
Direct Labour	Rs. 28 Per.Unit.
Chargeable Expenses	Rs. 11 Per Unit
Factory Overheads	Fixed Rs. 16,00,000 Variable Rs.10 Per Unit
Office Overheads	Fixed Rs. 12,50,000
Selling Overheads	Fixed Rs. 5,00,000 Variable Rs.25 per unit
Units Produced & sold 50,000	
Selling price. Per Unit Rs. 210	

Following changes are anticipated during the year ended 31st December, 2005.
(1) Production and sales will increase by 60%.
(2) Direct material cost per unit will increase by 12.5%
(3) Direct labour per unit will decrease by 5%
(4) Chargeable expenses per unit will decrease by 10%
(5) Variable factory overheads per unit will increase by 25%
(6) Variable selling overheads will decrease by 25%
(7) All fixed overheads will increase by 20%
(8) 75% of the output will sold in Domestic Market at a profit of 20% on sales.
(9) Balance 25% output will be sold in Export Market at a profit of 50 % on sales.

You are required to :
(1) Prepare cost sheet for the year ended 31st December 2004 and estimated cost for the year ended 31st December 2005., Showing total and per unit cost.
(2) Calculate total and per unit profit for the year ended 31st December 2004.
(3) Calculate total sales and profit for Domestic Market and Export Market. **(Oct 2005)**

Q.41. The following information for t he year ending 31st March 2008 is taken from the books of Sajjan Company which manufacture cycle: **(October 2009)**

Direct Materials Consumed	7,50,000
Direct Wages	4,50,000
Direct Expenses	3,00,000
Indirect Materials Consumed	35,000
Depreciation on Machinery	26,500
Indirect Wages	61,500
Technical Directors Fees	17,500
Other Factory Expenses	2,34,500
Commission to Salesman	1,58,500
Office Staff Salaries	1,85,000
Audit Fees	22,000
Showroom Expenses	1,44,700
Other Administrative Expenses	1,68,000
Carriage Outwards	31,700
Advertisements	1,15,100
Preliminary expenses written off	22,500
Provision for Tax	1,50,000
Sales	30,00,000

During the year ended 31st March 2008, 1500 cycles were produced and sold.
Following estimates have been made for the year ended 31st March 2009:
(a) Production and Sale of Cycles will be doubled.
(b) Direct Materials cost per unit will rise by 50%.
(c) Direct Wages per unit will increase by 25%
(d) Direct Expenses per unit will be in the same proportion to Direct wages as in the previous year.
(e) Total factory overheads will be in the same proportion to Prime Cost. Total Administrative overheads in the same proportion to works cost and total selling and distribution overheads in the same proportion to cost of production as in the previous year.
(f) The management desires to charge profit on sales price in the same proportion as in the previous year.
Required: (a) Cost Sheet for the year ended 31st March 2008 showing total cost and cost per unit and also total profit and per unit profit.
(a) Estimated Cost Sheet showing total cost and cost per unit for the year ended 31st March 2009 with projected selling price and profit.

CAPACITY LEVEL QUESTIONS

Q.42. A factory can produce 60,000 units p.a at its optimum 100% capacity. The estimated cost of production is as under:

Direct material	Rs 3 p.u
Direct labour	Rs 2 p.u
Factory overhead:	
Fixed	Rs 1,50,000 p.a
Variable	Rs 5 p.u
Semi variable	Rs 50,000 p.a upto 50% capacity & an extra expenses of Rs10,000 for every 25% increase in capacity or part thereof.
Administrative Overhead	Rs 1,33,000 p.a
Selling and distribution overhead	Rs 2 per unit sold

The factory produces only against orders & not for own stock. The production programme for the year is indicated as follows:

First 3 months of the year : 50% of the capacity
Remaining 9 months : 80% of the capacity

Management desires to earn the profit of 50% on selling price. Work out the average selling price at which each unit should be quoted.

Q.43. A factory can produce 60,000 units p.a at its optimum 100% capacity. The estimate cost of production are as under.

Particulars	
Direct material	Rs. 3 per unit
Direct labour	Rs 2 per unit subject to a minimum of 6.000 p.m
Overheads:	
Fixed	1,00,000 p.a
Variable	Rs 2 per unit.
Semi variable	Rs 40,000 upto 50% capacity and an additional Rs 10,000 for every 20% increase in capacity or part thereof.

Each unit of raw material yields scrap which is sold @ 20 paise per unit. In 2004 the factory worked at 50% capacity for the first 3 months but it was expected that it would work at 80% capacity for the remaining 9 months.

During the first 3 months the selling price per unit was Rs 12. What should be the price for the remaining 9 months to produce a total profit of Rs 1,00,000.

Q.44. Vaijnath Polymers manufactures and sells a typical brand of tiffin boxes under its own brand name. The installed capacity of the plant is 1,20,000 units per year, distributable evenly over each month of calendar year. The Cost Accountant of the company has informed you about the cost structure of the product , which is as follows:

2) Raw Materials Rs.20 per unit.
3) Direct Labour Rs.12 per unit.
4) Direct expenses Rs.2 per unit.
5) Variable Overheads Rs.16 per unit.
6) Fixed Overheads for the year Rs.3,00,000.
7) Semi-Variable Overheads are as follows:

a) Rs.7,500 per month upto 50 % capacity and
b) Additional Rs.2,500 per month for every additional 25% capacity utilisation or part thereof.

The plant was operating at 50% capacity during the first seven months of the calendar year 2009 and at 100% capacity in the remaining months of the year.

The Selling price for the period from 1st January 2009 to 31st July,2009 was fixed at Rs.69/- per unit. The firm has been monitoring the profitability and revising the selling price to meet its annual profit target of Rs.8 lakhs. You are required to suggest the selling price per unit for the period from 1st August, 2009 to 31st December, 2009.

Prepare cost sheet clearly showing the total and per unit cost and also profit for the period: (a) From 1st Jan '09 to 31st July '09. (b) From 1st Aug '09 to 31st Dec'09. **(October 2000)**

SEPARATION OF SEMI VARIABLE COST INTO FIXED AND VARIABLE

Q.45. The cost of an article at an capacity level of 5,000 units is given under 'A' below. For variation of 25% in capacity above or below this level the individual expenses vary as indicated in 'B' below.

Particulars	A	B
Material cost	25,000	100% varying
Labour cost	15,000	100% varying
Power	1,250	80% varying
Repairs & maintenance	2,000	75% varying
Stores	1,000	100% varying
Inspection	500	20% varying
Depreciation	10,000	100% Fixed
Administration overheads	5,000	25% varying
Selling overheads	3,000	50% varying
	62,750	
Cost per unit	12.55	

Find out the unit cost of the product under each individual expenses at production levels of 4000 & 6000 units.

Q.46. A factory manufactures a standard uniform product & has a capacity of 4,000 units per week. The following information shows elements of cost for 3 consecutive weeks:

Week	I	II	III
Units produced	1,200	1,800	2,400
Direct materials	12,000	18,000	24,000
Direct labour	10,800	16,200	21,600
Factory overheads (Partly fixed & partly variable)	32,400	36,600	40,800
Total cost	55,200	70,800	86,400
Cost per unit	Rs 46	Rs 39.33	Rs 36

The factory wants to quote value for 3,000 units, on which it wants to earn a profit of 50%.You are required to prepare a cost sheet to quote proper value.

Q.47. A factory manufactures a standard product and has a capacity of 4,000 units per week .The following Information shows different elements of cost for 3 consecutive weeks:

Particulars	Units produced	Direct material	Direct labour	Factory oh Semi variable
First	1,200	6,000	2,400	9,000
Second	2,000	10,000	4,000	13,000
Third	2,500	12,500	5,000	15,500

The factory intends to quote value for the supply of 3,000 units on which value it wants to earn a profit of 50% on sales, you are requested to quote proper value.

REVERSE COST SHEET

Q.48. Prepare the statement of total costing respect of units sold in January, 2005:.

Particulars	Rs
Sales in January 2005	750 units
Selling price per unit	Rs 450 per unit
Net profit per unit	Rs 50
Cost of production	75% of cost of sales
Office on cost	15% of cost of production
Factory on cost	50% of prime cost
Direct material	60% of prime cost
Direct labour	60% of direct material

With the help of statement prepared by you prepare a projected cost statement for 500 units to be supplied in March 2005 and hand out selling price to be charged at which your Gross profit ratio will be @40%. Find out the expected net profit at such price level.

Q.49. The books and records of the Anand manufacturing co. present the following data for the month of August 2005.

Direct labour cost Rs 16,000(160% of factory oh)
Cost of goods sold Rs 56,000

Inventory account showed these opening & closing balances:

Particulars	Aug. 1	Aug.31
Raw materials	8,000	8,600
Work in progress	8,000	12,000
Finished goods	14,000	18,000

Other data:

Selling expenses	3,400
General & administrative expenses	2,600
Sales for the month	75,000

You are required to prepare a statement showing cost of goods manufactured & sold & profit earned.

CHAPTER 2: RECONCILIATION OF COSTING PROFITS WITH FINANCIAL PROFITS

Q.1. The profit disclosed by a company's Cost Accounts for the year 2004-05 was Rs.30,114 while the net profit shown by the Financial Accounts amounted to Rs.19,760. On reconciling the figures, the following differences are brought to light:

1) Overheads in the Cost Accounts were estimated at Rs.7,500. The charge for the year shown by the Financial Accounts was Rs.6,932.
2) Director's fees not charged in the Cost Accounts amounted to Rs.750.
3) The company has allocated Rs.600 to a general provision for bad debts.
4) Work was commenced during the year on a new factory and expenditure of Rs.12,000 was incurred. Depreciation of 5% was provided for in the Financial Accounts.
5) Transfer fees received amounted to Rs.28.
6) The amount charged for income tax Rs.9,000.

Prepare a statement reconciling the figures shown by the Cost and Financial Accounts.

Q.2. From the following information, you are required to prepare a statement reconciling the results of Cost Books with Financial Books:

Particulars	Rs.
Net profit as per financial books	51,052
Works overhead under-recovered in cost	1,001
Depreciation charged in financial books	13,000
Obsolescence loss charged in Financial Books only	2,021
Depreciation charged in Cost Books	14,326
Interest received but not recorded in Cost Books	3,031
Income Tax provided in Financial Books only	2,626
Bank Interest debited in Financial Books only	292

Q.3. The Profit as per Cost Accounts is Rs.84,350. The following figures are found out on comparing Cost Account Books with Financial Account Books:

Particulars	Cost accounts (Rs.)	Financial accounts (Rs.)
(a) Opening Stock:		
Materials	15,800	16,300
Work-in-progress	9,000	10,000
(b) Closing Stock:		
Materials	16,000	15,000
Work-in-progress	9,000	8,000
c) Dividend & interest received		500
d) Loss on sale of Motor car		600

1) Rs.2,000 interest charged not considered in Financial Accounts.
2) Goodwill Rs.5,000 has been written off during the year.
3) Overheads incurred Rs.56,500 but overheads recovered amounted to Rs.60,000.

Find out profit as per Financial Accounts by preparing a reconciliation statement.

Q.4. From the following figures prepare a Reconciliation Statement:

Particulars		Rs.
Net Loss as per Financial Records		2,08,045
Net Loss as per Costing Records		1,72,400
Works Overhead under-recovered in Costing		3,120
Administrative Overhead recovered in excess		1,700
Depreciation charged in Financial Records		11,200
Depreciation recovered in Costing		12,500
Interest received not included in Costing		8,000
Obsolescence loss charged in Financial Records		5,700
Income - Tax provided in Financial Books		40,300
Bank interest credited in Financial Books		750
Stores Adjustments (Credit in Financial Books)		475
Value of Opening Stock:		
In Cost Accounts	52,600	
In Financial Accounts	54,000	1,06,600
Value of Closing Stock:		
In Cost Accounts	52,000	
In Financial Accounts	49,600	1,01,600
Interest charged in Cost Accounts but not in Financial Accounts		6,000
Preliminary Expenses written off in Financial Accounts		800
Provision for doubtful debts in Financial Accounts		150

Q.5. From the following particulars prepare:

a) Statement of Cost of Manufacture for the year 2004-05 showing the percentage which each individual item of cost bears to the total cost,

b) A statement of profit as per Cost Accounts and

c) Profit & Loss A/c in the Financial Books and show to what you would attribute the difference in the profit as shown by (b) and (c).

Particulars	Rs.	Particulars	Rs.
Opening Stock of Raw Materials	60,000	Stock of Raw Materials at the end	90,000
Opening Stock of Finished Articles	1,20,000	Stock of Finished Articles at the end	30,000
Purchase of Raw Materials	3,60,000		
Wages	1,50,000		

Calculate Factory on cost at 25% of Prime Cost & Office on Cost at 75% of Factory on cost. Actual works expenses amounted to Rs.1,16,250 and actual office expenses amounted to Rs.91,500. The selling price was fixed at a profit of 20% on the selling price.

Q.6. The following figures are extracted from the financial accounts of a Company for the year ending 31st March, 2001. In the Costing records, Factory overhead is charged a 100% of Wages and Administration overhead is charged at 10% of Factory Cost and Selling and Distribution at the rate of Rs.2 per unit sold. Prepare:(a) Financial Profit and Loss Account. (b) Costing Profit and Loss Account and (c) Statement reconciling the profit as per Cost records with the Profit as per Financial records. Following is the information as per financial records:

Sales (2,000 units)	5,00,000
Materials	2,00,000
Wages	1,20,000
Factory overheads	90,000
Administration overheads	52,000
Selling and Distribution overheads	36,000
Finished Goods as on 31-3-2001 (123 units)	30,000
Work in process as on 31-3-2001	36,630
Goodwill Written off	40,000
Interest paid	4,000
Profit on Sale of Assets	15,000

Q.7. Financial Profit and Loss Account for the year ended 31st March, 2005 is as follows:

Particulars	Rs.	Particulars	Rs
To Materials consumed	50,000	By Sales	1,24,000
To Carriage inwards	1,000		
To Direct Wages	34,000		
To Works Expenses	12,000		
To Administrative Expenses	4,500		
To Selling & Distribution Expenses	6,500		
To Debenture Interest	1,000		
To Net Profit	15,000		
	1,24,000		1,24,000

The Net Profit shown by the Cost Account for the year is Rs.16,270. Upon a detailed comparison of the 2 sets of accounts, it is found that:
(a) The amount charged in the Cost A/c in respect of overhead charges is as follows: Works Overhead Charges Rs.11,500, Office Overhead Charges Rs.4,590, Selling and Distribution Expenses Rs.6,640.
(b) You are required to reconcile the profits as shown by the two sets of accounts.

Q.8. Modern Company Limited furnishes the summary of Trading and Profit and Loss Account for the year ended 31st March, 2005:

Particulars	Rs.	Particulars		Rs.
To Raw Materials	1,39,600	By Sales (12,000 units)		4,80,000
To Direct Wages	76,200	By Finished Stock (200 Units)		8,000
To Production Overheads	42,600	By Work in Progress:		
To Administration Overheads	39,100	Materials	28,200	
To Selling & Distribution Overheads	42,700	Wages	11,796	
To Preliminary Expenses written off	2,200	Production overheads	7,999	47,995
To Goodwill written off	2,501	By interest on securities (Gross)		6,000
To Dividend (Net)	3,000			
To Income Tax	4,100			
To Net Profit	1,89,994			
	541,995			541,995

Company manufactures a Standard Unit. Scrutiny of Cost records for the same period shows:

a) Factory Overheads have been allocated to the production at 20% on Prime Cost.
b) Administration Overheads have been charged at Rs.3 per unit on units produced.
c) Selling and Distribution expenses have been charged at Rs.4 per unit on units sold.

Prepare a Statement of Cost to work out profit as per Cost Accounts and reconcile the same with that shown in the Financial Accounts in Memorandum Reconciliation Account.

Q.9. The following is the summarised version of Trading and Profit and Loss Account of Continental Enterprises Limited for the year ended 31st March, 2005:

Particulars	Rs.	Particulars		Rs.
To Materials	48,000	By Sales		96,000
To Wages	36,000	By Closing Stock of Finished Goods		20,400
To Works Expenses	24,000	By Work – in – progress:		
		Materials	3,000	
To Gross Profit c/f	14,400	Wages	1,800	
		Works Expenses	1,200	6,000
	1,22,400			1,22,400
To Administrative Expenses	6,000	By Gross Profit b/f		14,400
To Net Profit	8,400			
	14,400			14,400

During the year, 6,000 units were manufactured and 4,800 of them were sold. The costing records show that works overheads have been estimated at Rs.3 per unit produced and administration overheads at Re.1.50 per unit produced. You are required to prepare statement of cost and profit and also a statement reconciling the profit as revealed by Financial Accounts and as by Cost Accounts.

Q.10. In a Factory two types of Radios are manufactured viz.'Popular' and 'Delux' models. From the following particulars, prepare a statement showing cost per Radio and profit per Radio sold. There is no opening or closing stock.

	Popular	Deluxe
Labour	46,800	62,920
Materials	81,900	1,08,680

Works overhead is charged @ 80% on Labour and Office overhead taken @ 15% on Works cost. 'Popular' Radios sold during the period are 235 at Rs.1,000 each and 'Delux' Radios sold are 286 at Rs.1,100 each. Ascertain the total profit as per Cost Books from the above particulars. If the works expenses are Rs.87,000 and office expenses Rs.58,000.

Find out the actual profit made and prepare a Reconciliation Statement to reconcile the cost profits with the profits disclosed by the Financial Books.

Q.11. A company manufacturing table fans supplies to you the following data and asks you to prepare a statement showing profit per table fan. Wages and Materials are charged at cost, Works Overheads at 80% of wages and office on cost at 20% of works cost. You are also required to prepare a statement reconciling the profit as shown by the Cost Accounts with the profit shown by Financial Accounts for the year-ended 31.3.05: Two types of table

fans are manufactured namely Model X and Model Z. There is no fan in the stock. Number of fans sold were X-1,500, Z-1,050

Particulars	Model X (Rs.)	Model Z (Rs.)
Materials per fan	100	80
Wages per fan	80	60
Selling price per fan	300	250

Prepare the relevant statements showing the actual profits for the year if the works indirect expenses were Rs.82,000 and Office on cost Rs.75,000.

Q.12. A Factory turns out two products A & B. The cost of materials & labour is as follows:

	A(Rs.)	B(Rs.)
Materials (per unit)	12.50	7.50
Wages Direct	10.00	6.00

Works overheads are charged at 100% of wages and office overheads at 25% of works cost. 200 units of A and 500 units of B were produced and sold at Rs.50 and Rs.30 per unit respectively. There being no opening and closing stocks. If actually, the works expenses amounted to Rs.4,800 and office expenses to Rs.4,200 reconcile the results shown by cost accounts and financial accounts.

Q.13. The Financial Profit and Loss Account of Seema Manufacturing Company for the year ended 31st March, 2005, is given below:

Particulars	Rs.	Particulars	Rs.
To Opening Stock:		By Sales	9,20,000
Raw Materials	60,000	By Closing Stock:	
Finished Stock	80,000	Raw Materials	60,000
Work-in-progress	35,000	Finished Stock	30,000
To Purchases	2,40,000	Work-in-progress	41,000
To Factory Wages	60,000		
To Factory Electric Power	66,000		
To Factory Overheads	90,000		
To Gross Profit c/d	4,20,000		
	10,51,000		10,51,000
To Administration Expenses	25,000	By Gross Profit b/f	4,20,000
To Selling & distribution Expenses	1,15,000	By Miscellaneous Income	20,000
To Bad debts	30,000		
To Net Profit	2,70,000		
	4,40,000		4,40,000

The Cost Accounts of the Company showed a profit of Rs.2,81,750. It is observed that the Costing Profit &Loss Accounts are prepared on the basis of figures furnished below:

Opening Stock:

Raw Materials	80,000
Finished Stock	60,000
Work-in-progress	40,000

Closing Stock:	
Raw Materials	70,000
Finished Stock	20,000
Work-in-progress	44,000
Selling and Distribution Expenses	1,27,000
Administrative Expenses	18,000

A plant is purchased on 1st April, 2002 for Rs.80,000. Rate of Depreciation is 25% p.a. Financial Accounts charge depreciation according to straight line method & it is included in factory overheads of Rs.90,000, whereas Cost Accounts charge depreciation according to written down value method. Prepare a statement reconciling the differences in the Profit and Loss Accounts.

Q.14. Enthusiasts Ltd. commenced business on 1st April, 2006. Cost and Financial records are maintained for the year ended 31st March, 2007. From the following information prepare statements: (a) Showing the result as per costing records. (b) Showing result as per financial records and (c) Reconciling these results. **(October 1997 & April 2004)**

Particulars	As per costing Records	As per Financial Records
Material consumed (20,000 Kgs.)	Rs. 28.50 per Kg.	Rs. 26 per Kg.
Direct Wages (3000 man days)	Rs. 80 per man day	Rs. 85 per man day
Factory Overheads	20% of the Prime Cost	Rs. 3,60,000
Administrative Overheads	Rs. 30 per Kg. of output produced	Rs. 4,00,000
Sales Overheads	Rs. 50 per Kg. of output sold	Rs. 9,60,000
Stock (of output produced) as on 31-03-97 2,000 Kgs.	At cost of production	Rs. 1,50,000
Work in Progress as on 31-03-1997	Rs. 1,62,000	Rs. 1,62,000
Sales (16,000 Kgs.)	Rs. 130 per kg.	Rs. 129.50 per Kg.
Rent Income	-	Rs. 1,20,000
Preliminary expenses written off.	-	Rs. 30,000

Q.15. From the following details of KT & Co. compute profit as per Profit and Loss Account as well as per Cost Sheet and reconcile profit between cost sheet and profit and loss account showing clearly the reasons for the variations of the two profit figures:

Particulars	Rs.
Sales	20,000
Purchase of materials	3,000
Closing stock of materials	500
Direct wages	1,000
Indirect wages	500
Indirect Factory expenses	2,000
Bad Debts	100
Interest on Overdraft	50
Profit on sale of assets	1,000
Selling expenses	2,000
Distribution Expenses	1,000

In cost sheet manufacturing overheads are recovered at 300% of Direct wages. Selling overheads are recovered Rs.1,500 and distribution overheads recovered Rs.700.

(October 2003, 15 Marks)

Q.16. Profit & loss Account of M/s Tirupati Traders for the year ended 31st March 2009.

Particulars	Rs.	Particulars	Rs.
To Opening Stock (Finished – 6,000 units)	59,760	By Sales (90,000 units)	11,70,000
To Raw Materials Consumed	5,19,400	By Closing Stock (Finished – 4,500 units)	52,776
To Carriage Inwards	5,100	By Bank Interest	410
To Direct Wages	72,872	By Dividend	6,900
To Salesmen Commission	38,520		
To Office Salaries	25,368		
To Motor Car Expenses	18,384		
To Advertisement	61,920		
To Director's Remuneration:			
Office 12,000			
Works 12,000			
Sales 14,400	38,400		
To Indirect Wages	20,268		
To Plant Depreciation	11,472		
To Workmen Compensation Reserve	13,275		
To Office Rent	6,900		
To After Sales Service Expenses	4,476		
To Interest	6,000		
To Showroom Rent	9,000		
To Carriage Outward	6,240		
To Depreciation on Delivery Van	5,040		
To Factory Fuel	4,248		
To Packing and Forwarding	3,270		
To Miscellaneous Factory Expenses	3,270		
To Preliminary Expenses w/off	4,200		
To Audit Fees	2,520		
To General Office Expenses	1,500		
To Factory Rent	18,720		
To Loss on Sales of Investments	4,017		
To Insurance:			
Office 300			
Sales 720			
Factory 1,800	2,820		
To Printing and Stationery	720		
To Depreciation:			
Factory Furniture 600			
Office Furniture 900			
Showroom Furniture 420	1,920		

To Telephone Charges:				
Office	129			
Sales	627	756		
To Legal Fees		504		
To Net Profit c/d to B/s		2,59,226		
		12,30,086		12,30,086

Closing Stock in Cost Accounts is valued at Cost of Production, However, Opening Stock in cost records in same as per financial records. Prepare: a) Detailed cost statement showing total cost and profit. (excluding per unit) (b) Reconciliation statement showing reconciliation of Profits. **(April 2008, 20 Marks)**

Q.17. The following figures have been extracted from the financial accounts of Bawa Manufacturing Company for the first year of its operation:

Direct Material Consumption	50,00,000
Direct wages	30,00,000
Factory Overheads	16,00,000
Administrative Overheads	7,00,000
Selling and Distribution Overheads	9,60,000
Provision for Bad Debts	80,000
Preliminary Expenses written off	40,000
Dividend Received	1,00,000
Interest Received on Deposits	20,000
Sales (1,20,000 units)	1,20,00,000
Closing Stock:	
Finished Stock (4000 units)	3,20,000
Work in Progress	2,40,000

The cost accounts for the same period reveal that the Direct material consumption was Rs.56,00,000. Factory overheads are recovered @ 20% on Prime Cost. Administrative overheads are recovered at Rs.6 per unit of production. Selling and Distribution overheads are recovered at Rs.8 per unit sold. Prepare the profit and loss account as per financial records and cost sheet as per cost records. Reconcile the profits as per the two records. The cost accounts value closing stock of finished goods at cost of production.

(October 2004, 20 Marks)

Q.18. From the following particulars, prepare Reconciliation Statement and ascertain Costing Profit/Loss. Net Profit as per financial accounts is Rs.50,000. Opening stock was overvalued by Rs.2000 in costing as compared to financial accounting. Administrative overheads charged in financial books Rs.20,000 but recovered in Costing Rs.40,000. Income tax provision Rs.1,200 was provided in financial accounting. Notional salary of Proprietor in cost Rs.20,000. Interest received Rs.12,000. Closing stock as per financial books Rs.16,200. Whereas in cost books it was Rs.19,000. **(April 2005, 8 Marks)**

Q.19. Following is the trading and profit and loss account of M/s Vishal enterprises for the year ended 31.3.2006:

Particulars	Rs.	Particulars	Rs.
To Opening stock (500 units)	17,500	By Sales (10250 units)	7,17,500
To Materials	2,60,000	By Closing Stock (250 units)	12,500
To wages	1,50,000		
To factory overheads	94,750		
To Gross Profit	2,07,750		
	7,30,000		7,30,000
To Administrative Overheads	1,06,000	By Gross Profit b/f	2,07,750
To Selling overheads	55,000	By Dividend Received on	10,250
To loss on revaluation of assets	9,000	investments	
To Net Profit c/f	48,000		
	2,18,000		2,18,000

In Cost Accounts, materials charged @ Rs.25 per unit and wages @ Rs.15 per unit. Factory overheads taken @ 60% of wages. Administrative overheads applied @ 20% of works cost. Selling overheads taken @ Rs.6 per unit sold.You are required to prepare:

(1) Statement of cost showing total cost and cost per unit

(2) Statement of reconciliation of profit/loss. **(October 2007, 20 Marks)**

Q.20. Following is the summarised trading and profit and loss account of sheetal industries for the year ended 31.3.2006:

Particulars	Rs.	Particulars	Rs.
To Opening stock of R.M	9,000	By Sales (12000 units)	4,80,000
To Purchases of R.M.	2,10,000	By Closing Stock:	
To Carriage Inwards	5,000	Finished Goods (3000 units)	66,000
To Wages	75,400	Raw Materials	24,000
To Factory Expenses		By interest on securities	17,000
Paid 52,400		By Profit on sale of assets	1,20,000
Outstanding 2,200	54,600		
To Administration Overhead	52,500		
To Selling & Distribution O/h	96,000		
To Goodwill w/off	12,500		
To Interest on Loans	1,500		
To Dividend	2,500		
To Income Tax	5,000		
To Net Profit	1,83,000		
	7,07,000		7,07,000

A standard unit was manufactured during the year. The cost accounting records showed the following: (a) Materials consumed @ Rs.10 per unit produced.

(b) Direct Wages @ Rs.6 per unit produced.

(b) Factory Overheads were absorbed @ 25% of Prime Cost.

(c) Administration Overheads were absorbed @ Rs.5 per unit produced

(d) Selling and Distribution Overheads were absorbed @ Rs.7 per unit sold.

You are required to prepare the detailed cost statement for the year ended 31.3.2006 and a statement of reconciliation. **(October 2008, 15 Marks)**

Q.21. From the following information find out profit or loss as per Cost Records:

Particulars	Rs.
Profit as Per Financial Records	1,45,000
Over Absorption of Indirect Wages	12,000
Over Valuation of Opening Stock of Finished goods in Cost Accounts	5,000
Excess of depreciation charged in financial accounts	3,500
Under absorption of selling overheads	7,500

(October 2010, 5 Marks)

Q.22. From the following details find out Profit and Loss as per Financial Accounts.

Particulars	Rs.
Under absorption of factory overheads	12,500
Overvaluation of closing stock of Raw Materials in Cost Accounts	8,600
Profit as per cost accounts	2,70,000
Depreciation Under Recovered in Cost Accounts	3,700
Over absorption of Administrative Overheads	9,800

(April 2010, 5 Marks)

CHAPTER 3: MATERIAL COST CONTROL

Q.1. From the following particulars, prepare stores ledger by weighted average method.

Date	Particulars
04.01.2002	Purchased 40 units at Rs.30 p.u
17.01.2002	Purchased 60 units at Rs.28 p.u
20.01.2002	Sale of 50 units
22.01.2002	Purchased 80 units at Rs.29 p.u.
25.01.2002	Sale 80 units
28.01.2002	Sale 20 units
30.01.2002	Purchased 100 units at Rs.26 p.u.
31.01.2002	Sale 90 units.

The stock on 01.01.2002 was 50 units valued at Rs.25 each.

Q.2. Following are the purchases and sales of sugar in the month of March, 2003. Prepare a statement showing issue prices and valuation of stock on the basis of 'FIFO' method and Weighted Average method.

Date	Purchases	Rate Per Kg.	Sales (Kgs.)
1.3.2003	600	4	---
4.3.2003	---	---	300
5.3.2003	300	3.80	---
10.3.2003	---	---	200
18.3.2003	200	4.10	---
22.3.2003	---	---	500
30.3.2003	300	4.30	---
31.3.2003	----	----	200

Q.3. Find out value of stock on 30th June,1999 for Final accounts under FIFO method:

Date	Purchases/Sales	Units	Price in Rs. per unit
June 1	Opening Stock	600	6
June 2	Sales	250	---
June 5	Purchases	900	5.75
June 10	Sales	500	---
June 12	Sales	150	---
June 18	Purchases	550	6.50
June 21	Sales	250	---
June 24	Purchases	400	7.00
June 26	Purchases	500	7.20
June 29	Sales	700	---

Q.4. Ashoka Limited has purchased and issued the materials in the following order:

Month	Date	Particulars	Units	Cost Per Unit
January	1	Purchases	300	3
January	4	Purchases	600	4
January	6	Issues	500	---
January	10	Purchases	700	4
January	15	Issues	800	---
January	20	Purchases	300	5
January	23	Issues	100	---

Ascertain the quantity of closing stock as on 31st January and state what will be the value under FIFO

Q.5. The stock on hand of a material as on 1.9.2002 was 500 units at Re.1 per unit. The following purchases and issues were subsequently made. Value stock under FIFO method.

Date	Purchases	Date	Issues
06.09.2002	100 units @ Re.1.10	09.9.2002	500 units
20.09.2002	700 units @ Re.1.20	22.9.2002	500 units
27.09.2002	400 units @ Re.1.30	30.9.2002	500 units
13.10.2002	1,000 units @ Re.1.40	15.10.2002	500 units
20.10.2002	500 units @ Re.1.50	22.10.2002	500 units
17.11.2002	400 units @ Re.1.60	11.11.2002	500 units

Q.6. The following particulars have been extracted in respect of material X. Prepare a stores ledger account on the basis of (a) Weighted Average and (b) FIFO Method

Receipts		
01.08.2004	Opening Stock	200 units @ Rs.3.50 each
03.08.2004	Purchases	300 units @ Rs.4.00 each
13.08.2004	Purchases	900 units @ Rs.4.30 each
23.08.2004	Purchases	600 units @ Rs.3.80 each
Issues		
05.08.2004	Issued	400 units
15.08.2004	Issued	600 units
25.08.2004	Issued	600 units

Q.7. From the following details available, prepare Stores Ledger Account pricing the materials issued under FIFO & Weighted Average Method.

Date	Particulars	Rate
1/1/2003	Balance 600 Kgs.	@ Rs.4 per Kg.
2/1/2003	Received 200 Kgs.	@ Rs.4 per Kg.
5/1/2003	Received 800 Kgs.	@ Rs.5 per Kg.
8/1/2003	Received 400 Kgs.	@ Rs.6 per Kg.
9/1/2003	Issued 1,000 Kgs.	
10/1/2003	Received 1,200 Kgs.	@ Rs.7 per Kg.
11/1/2003	Issued 400 Kgs.	
14/1/2003	Issued 1,200 Kgs.	

Q.8. Given below are the particulars of purchases, sales and opening stock of Item A, Item B and Item C of Stock of M/s Girish Traders for the month ending 30/4/1999.

Particulars	A		B		C	
	Units	Rate	Units	Rate	Units	Rate
Opening Stock	400	4	1200	6	1500	2
Purchases:						
Apr-05	500	3	600	7	500	2.5
Apr-20	400	5	800	7.5	1000	3
Apr-26	300	5	500	8	400	2.5
Sales:						
Apr-04	200		600		800	
Apr-10	400		1000		750	
Apr-18	100		100		300	
Apr-25	250		500		400	
Apr-29	400		300		500	

Value closing stock applying FIFO to A & B & Weighted Average to C.

Q.9. The stock on hand as on 1-8-2000 was 500 units @ Rs.100 per 100 units. Prepare necessary statement to calculate the value under Weighted average method if:
a) Perpetual Inventory System is followed b) Periodic Inventory system is followed.

Purchase			Issued	
Date	Units	Rate	Date	Units
06-08-2000	100 units	@ 1.10 p.u.	08-08-2000	500 units
20-08-2000	700 units	@ 1.20 p.u.	22-08-2000	400 units
27-08-2000	400 units	@ 1.30 p.u.	30-08-2000	250 units
13-09-2000	1,000 units	@ 1.40 p.u.	15-09-2000	1,350 units
20-09-2000	500 units	@ 1.50 p.u.	21-09-2000	600 units
22-09-2000	400 units	@ 1.60 p.u.	24-09-2000	200 units

Q.10. The following is the record of receipts & sales of certain goods during April, 2001:

Date	Receipts
1.4.2001	Opening Stock 500 units @ Rs.8 per unit
2.4.2001	Purchased 600 units @ Rs.10 per unit
4.4.2001	Purchased 100 units @ Rs.10.20 per unit
6.4.2001	Purchased 200 units @ Rs.10.50 per unit
Date	Sales
3.4.2001	300 units
5.4.2001	400 units
7.4.2001	400 units

Stock verification on 3rd April revealed loss of 10 units. Show the cost of goods sold and the valuation of stock on 7th April,2001 under FIFO and Weighted Average methods.

Q.11. The stock on hand as on 1-8-2000 was 500 units @ Rs.100 per 100 units. Prepare necessary statement to calculate the value under Weighted average method if:

a) Perpetual Inventory System is followed b) Periodic Inventory system is followed.

Purchase			Issued	
Date	Units	Rate	Date	Units
06-08-2000	100 units	@ 1.10 p.u.	08-08-2000	500 units
20-08-2000	700 units	@ 1.20 p.u.	22-08-2000	400 units
27-08-2000	400 units	@ 1.30 p.u.	30-08-2000	250 units
13-09-2000	1,000 units	@ 1.40 p.u.	15-09-2000	1,350 units
20-09-2000	500 units	@ 1.50 p.u.	21-09-2000	600 units
22-09-2000	400 units	@ 1.60 p.u.	24-09-2000	200 units

Q.12. The following is the summary of the receipts and issue of materials in a factory during January:

January

1 Opening stock 500 units at Rs 25 per unit
2 Issued 100 units
3 Issued 70 units
9 Issued 80 units
13 Received from suppliers 200 units at Rs 24.50 per unit
14 Returned to stores 15 units at Rs 24 per unit
16 Issued 180 units
20 Received from suppliers 240 units at Rs 24.75 per unit
24 Issued 304 units
25 Received from suppliers 320 units at Rs 24.50 per unit
26 Issued 112 units
27 Returned to stores 12 units out of the issue date 16th
28 Received from suppliers 100 units Rs 25 per unit

You are required to prepare the stores ledger on the basis of FIFO. The physical verification revealed that on the 15, there was a shortage of five units and another on the 27th of 8 units.

MATERIAL COST (ON EOQ BASIS)

Ex.: 1 The following information in respect a component is extracted from the books of M/S perfect computers Ltd., Pune, for the year ending 31st March, 2014.

Maximum usage in a month : 600 Nos.
Minimum usage in a month : 400 Nos.
Normal usage in a month : 450 Nos.
Time lag in procurement of materials : Maximum 6 months, Minimum 2 months.
Recorder Quantity 1500 Nos.

You are required to calculate :

1. Recorder Level
2. Minimum Level
3. Maximum Level
4. Average Stock Level

Ex.: 2 M/s Air Cool Services Ltd., Jalgaon manufactures of Air Coolers give the following information in respect of 2 components namely A & B used in the manufacturing process.

Normal usage : 200 units per week each
Maximum usage : 300 units per week each
Minimum usage : 100 units per week each
Recorder quantity : A : 1600 units. B : 2400 units
Recorder period for : A : 2 to 4 weeks. B : 1 to 2 weeks

Calculate for each component :

1. Recorder Level
2. Minimum Level
3. Maximum Level
4. Average Stock Level

Ex.: 3: Voltas Ltd., Mumbai manufactures of Air conditioner give the following information in respect of 2 components namely Copper & Aluminum used in the manufacturing process.

Normal usage : 500 units per week each
Maximum usage : 750 units per week each
Minimum usage : 250 units per week each
Re-order quantity : Copper : 3000 units, Aluminum : 5000 units
Re-order period for : Copper : 4 to 6 weeks, Aluminum : 2 to 4 weeks

Calculate for each component :

1. Recorder Level 2. Minimum Level 3. Maximum Level 4. Average Stock Level

Ex.: 4 From the following information, calculate Economic Order Quantity by using Formula and Tabulation Method stated as follows :

Annual requirement (units)	6,400
Ordering cost (per order)	Rs. 100
Inventory carrying costs	Rs. 8.
Per unit price	Rs. 80

The delivery cost per order is Rs. 12.
The firm can procure inventories in various lots such as (i) 6400 units (ii) 3200 units (iii) 1600 units (iv) 800 units (v) 400 units (vi) 200 units and (vii) 100 units**(Nov 2014)**

Ex.: 5 M/s Quantity Products Ltd., Nasik, is offered discounts on its order in the manner stated as follows :

Price per Tonne	**Order (in Tonnes)**
Rs. 12.00	Less than 500
Rs. 11.80	500 but less than 1,600
Rs. 11.60	1,600 but less than 4,000
Rs. 11.40	4,000 but less than 8,000
Rs. 11.20	8,000 and over

The annual demand for the material is 8,000 tonnes. Inventory carrying costs are 20% of material cost per annum. The delivery cost per order is Rs. 12.
Calculate the Best Quantity Order for M/s Quantity Products Ltd.

Ex. 6: Calculate Economic Order Quantity from the following :

1. Quantity 60,000 units
2. Ordering cost Rs. 1,200 per order.
3. Carrying Cost 20%
4. Price per units Rs. 2,000.

Ex. 7: From the following particulars, calculate the Economic Order Quantity (EOQ).

1. Annual requirements = 1,600 units.
2. Cost of placing and receiving per purchase order = Rs. 50.
3. Annual carrying cost of Inventory = 10% of Inventory value.

Ex. 8: From the following information, calculate Economic Order Quantity and number of orders to be placed each year.

Annual Consumption of Material : 4,000 kg
Cost of buying per order : Rs. 5
Cost per unit : Rs. 2
Storage and carrying cost : 8% of Inventory value

Ex. 9: A Factory requires 20,000 kgs of certain materials for the year. Cost of carrying one kg. of material is calculated to be Rs. 20 per annum, and it is estimated that expenses of placing an order and receiving would amount to Rs. 500
Calculate EOQ and number of orders to be placed each year.

Ex.10: A Manufacturer buys certain equipment from outside suppliers at Rs. 30 per unit. Total Annual needs are 1,600 units.

The following further data are available :
Annual return on investment 10%
Rent, Insurance, tax, per year, Rs. 1.
Cost of placing an order Rs. 50.
Determine the Economic Order Quantity.

Ex. 11: Given the annual consumption of material is 1,800 units, ordering costs are Rs. 2 per order, price per unit of material is 32 paise and storage costs are 25% per annum of stock value, find the Economic order Quantity.

Ex. 12: Calculate the EOQ from the following information. Also state the number of orders to be placed in a year.

Consumption of material p.a. 10,000 kg. Order placing cost per order Rs. 50.
Storage cost 8% on average inventory. Cost per kg. of Raw materials Rs. 2

Ex.13 : Determine the EOQ from the following particulars.

Annual consumption : 675 units
Cost of material : Rs. 30 per unit
Cost of placing an order : Rs. 18
Annual carrying cost of one unit : 10% of Inventory value

Ex. 14: Find the Economic Order Quantity from the following information.
Annual Demand : 20,000 units
Cost per article : Rs. 1
Inventory carrying cost : 15%
Cost per order : Rs. 15

Ex. 15: Find out the EOQ and order schedule for raw material and packaging materials with the following data given to you.
1. Cost of ordering : Raw materials Rs. 1,000 per order, Packaging materials Rs. 5,000 per order.
2. Cost of holding inventory : Raw material 1 ps. Per unit p.m. packaging materials 5 ps. Per unit p.m.
3. Production rate : 2,00,000 units per month.

Ex. 16: Find out E.O.Q from the following information :
Annual usage : 6000 units
Cost of placing and receiving one order : Rs. 60
Annual carrying cost of one unit : 10% of Inventory value

Ex. 17: M/s Sandhu Brothers Dhulia supplies you the following information.
Annual Consumption : 15,000 kg.
Cost of placing an order : Rs. 48
Cost of raw materials : Rs. 2 per kg.
Strong cost : 8% of Average Inventory
You are required to ascertain Economic Order Quantity.

Ex. 18: A company uses 10,000 units per year of an item costing Rs. 5 each. The cost of processing a purchase order is Rs. 100 and the stock holding cost amounts to 20% per year of the money value of inventory. Calculate Economic Order Quantity.

Ex. 19 : A Manufacture buys certain essential spares from outside suppliers at Rs. 40 per set. Total annual requirement are 45,000 sets. The annual cost of investment in inventory is 10 % and cost like rent, stationery, insurance, taxes etc. per unit per year work out to Rs. 1 Cost of placing an order is Rs. 5.
Calculate : (1) The EOQ (by formula) (2) No. of Orders to be placed. **(Nov. 2014)**

Ex. 20 : M/s Reliance Industries Ltd., Dhulia supplies you the following information :
Consumption of materials per annum : 15,000 kg.
Cost of placing an order : Rs. 48
Cost of Raw materials : Rs. 2 per kg
Storage cost is 8% of average inventory
You are required to ascertain the economic order quantity and also stage the number of orders to be placed in the year.

Q.21. X Ltd requires 36,000 units per annum. The purchase price per unit is Rs 10 and the cost of placing an order with the supplier is Rs 100. The firm finances its working capital

with bank overdraft at 15% per annum. Find the quantity that the firm should buy every time to minimize the inventory associated cost. Also find the relevant inventory cost.

Q.22. X Ltd requires 2,500 units of Y per month. The cost per order is Rs 150 and each unit costs Rs 200. The cost of capital is 18% per annum. You are required to calculate EOQ

Q.23. About 50 items are required every day for a machine. A fixed cost of Rs 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Rs 0.02 per day. The lead period is 32 days.
Compute: (1) Economic Order Quantity.

Q.24. G Ltd produces a product which has a monthly demand of 4,000 units. The product requires a component X which is purchased at Rs 20. For every finished product, one unit of component is required. The ordering cost is Rs 120 per order and the holding cost is 10% p.a. You are required to calculate:
(i) Economic order quantity
(ii) If the minimum lot size top be supplied is 4,000 units, what is the extra cost, the company has to incur?

Q.25. The complete Gardener is deciding on the economic order quantity for two brands of lawn fertilizer: Super grow and Nature's Own. The following information is collected:

	Super Grow	Nature's Own
Annual Demand	2,000 bags	1,280 bags
Relevant ordering cost per purchase order	Rs 1,200	Rs 1,400
Annual relevant carrying cost per bag	Rs 480	Rs 560

(i) Compute EOQ for Super Grow and Nature's Own
(ii) For the EOQ, what is the sum of the total annual relevant ordering costs and total annual relevant carrying costs for Super Grow and Nature's Own?
(iii) For the EOQ, Compute the number of deliveries per year for Super Grow and Nature's Own.

Q.26. A company manufactures a product from a raw material, which is purchased at Rs 60 per kg. The company incurs a handling cost of Rs 360 plus freight of Rs 390 per order. The incremental carrying cost of inventory of raw material is Re. 0.50 per kg per month. In addition, the cost of working capital finance on the investment in inventory of raw material is Rs 9 per kg. per annum. The annual production of the product is 1,00,000 units and 2.5 units are obtained from one kg. of raw material.
(i) Calculate the economic order quantity of raw materials.

Q.27. PQR Ltd produces a product which has a monthly demand of 52,000 units. The product requires a component X which is purchased at Rs 15 per unit. For every finished product, 2 units of component X are required. The ordering cost is Rs 350 per order and the carrying cost is 12% p.a.
(i) Calculate the economic order quantity for Component X
(ii) If the minimum lot size to be supplied is 52,000 units. Calculate the extra cost.
(iii) Minimum carrying cost, the company has to incur?

CHAPTER 4: LABOUR COST CONTROL

Q. 1. The following information relates to a week ending 31st March, 2017 for two workers viz. Abhiman and Tapasya:

	Abhay	Tapasya
Hours worked	48	54
Daily working hours	8	8
No. of working days in a week	6	6

Flat time rate per hour Rs. 10
Overtime rate per hour Rs. 20
Calculate the wages of the two workers for the week.

Q.2. from the following information calculate the earning of Mr. Sachin and Mr. Nitin for the month of January, 2016. The wages are paid on the basis of straight piece rate method.
Output during the month:
Mr. Sachin : 1,200 Units. Mr. Nitin : 1,150 Units.
Straight piece rate Rs. 3 per unit.

Q. 3. Calculate the wages of Mr. Karthik for the month of January 2017 in the following cases:

1. He is paid Rs. 5 per unit on the basis of actual units produced by him or Rs. 4,500 per month whichever is higher.
   (a) If his production during the month is 1,200 units.
   (b) If his production during the month is 800 units.
2. He is paid guaranteed wages according to time rate which is Rs. 3,000 p.m. plus Rs. 3 per unit piece rate for units produced above the required minimum output of Rs. 20,000. Hiss actual production during the month is 22,000 units.
3. He is paid Rs. 5 per unit plus fixed dearness allowances of Rs. 500 per month. He has produced 1,200 units during the month.

Q. 4. During one week of workman, X manufactured 200 articles. He received wages for guaranteed 44 hours week at the rate of Rs. 1.50 per hour. The estimated time to produced one article is 15 minutes and under incentive scheme the time allowed is increased by 20%.
Calculate his gross wages his under each of the following methods of remunerations:

1. Time rate.
2. Piece work with a guaranteed weekly wages.
3. Rowan premium bonus.
4. Halsey premium bonus, 50% to workman.

Q.5. In an engineering company, standard time set for a job is 20 hours and the wage rate is Rs.4 per hour. The worker is to get his normal rate for hours worked and half the normal rate for hours saved. Material required for the job costs Rs.88 and the work overheads are charged on the basis of Rs.6 per labour hour.
Calculate the wages and effective rate of earning per hour if the job is completed in (1) 16 hours and (2) 12 hours. Also calculate the job cost in both the cases.

Q.6. In the engineering concern, the standard time allowed to manufacture an article is fixed at 10 hours and the wage rate is Rs.20 per hour. An operator completes 10 articles in 80 hours.
Calculate his total wages under:

1. Halsey premium plan.
2. Rowan premium plan.

Also calculate cost if material cost of the article is Rs.240 and the factory overheads are 400% of direct wages.

Q.7. Engineers India ltd. has fixed the standard time to produce one unit of product X at 20 hours. Standard wages rate fixed is Rs.25 per hour .A worker produces 20 units of product X in 260 hours.
Calculate his total wages under Halsay premium plan and Rowan premium plan.
Also calculate work cost under both the plans if direct materials cost of one unit of product X is Rs.2400 and a factory overheads are 250% of prime cost.

Q.8. Calculate the total earning of two workers under Halsey premium plan and Rowan premium plan from the following particulars.

Standard time allowed: 50 hours
Rate of wages: Rs. 1 per hour
Actual time taken: Workers A-45 hours. Workers B-30 hours.

Q.9. A worker takes 9 hours to complete a job on daily wages and 6 hours on a scheme of payments by results. His day rate is 75 paise an hour the material cost of the product is Rs.4 and the overheads are recovered at 150% of the total direct wages .Calculate the factory cost of the products under Piece work plan, Rowan plan and Halsey plan.

Q.10. Calculate the total earnings and effective rate of earning per hours of the two operators, Gopal and Hassan under Halsey plan and Rowan plan.

The standards time fixed for producing 100 articles is 50 hours.
The rate of wages is Rs.1.50 per hour.
The actual time taken for producing 100 articles is as under:
Gopal : 42 hours Hassan: 38 hours.

Q.11. Following are the particular for April 2015 relating to four employees working in department M of a factory exclusively for job no.120.

Name of Employee	Wages (Rs)	Per
A	10,000	Month
B	150	Day
C	120	Day
D	100	Day

The normal working hours per week of six day are 48 or 8 hours per day. Sundays are paid holidays. (There were no other holidays during the month)

Provident fund contribution was 8% of monthly wages by Employee.
Provident contribution was 8% of monthly wages by Employer.

Employees state insurance contributions was 3% of monthly wages by employee and 5% of monthly wages by employer.

From the following data, calculate:

(a) Net wages payable by the employer for the month.
(b) The total amount of provident fund contribution to be deposited by employer.
(c) Employees state Insurance contribution to be deposited by employer.
(d) Total labor cost to the employer for the month of april , chargeable to the job and
(e) The total cost of the job requiring materials is valued at Rs. 60,000 and overheads at 50% of prime cost.

Q. 12 From the following information ,you are required to prepare calculate net wage bill and labour cost

Gross earning of the workers as per time cards	Rs. 30,000
Employees contribution to PF	Rs. 2,500
Employees contribution to ESI	Rs.400
Advance against wages	Rs.800
Cooperative dues	Rs.600
Income tax	Rs.500
Canteen charges	Rs.100

Company contribution to PF and ESI are Rs 2,500 and Rs 800 respectively.

Q.13 The standard time fixed for a job is 40 hours and the wage rate is Rs 40 per hour .The worker is to get his normal rate for hours worked and half the normal rate for hours saved material required for the job cost Rs 800 and the works overhead are charged on the basis of Rs 60 per labour hour.

Calculate the wages and effective rate of earning of earning per hour if the job is completed in 32 hours and 24 hours.

Also calculate the job cost in both the cases.

Q.14 `A' an employee of XYZ co. Gets the following emoluments and benefits:

1.Salary basic	Rs 25,000 per month
2.Dearness Allowances	100% of basic
3.Employers contribution to provided fund	12% of basic & D.A
4.E.S.I	4.75% of basic & D.A
5.Bonus	20% of salary & D.A
6.Other Allowances	Rs 27,250 per annum

A works for 2,400 hours per annum out of which 400 hours are non-productive but treated. A worked for 18 effective hours on job no. 13, where the cost of direct material equal A's earnings applied is 100% of prime cost. The sale value of the job is quoted to earn a profit of 10% on such sales.

You are required to find out :(1) Effective Hourly of `A' and (2) The expected sale value of job no.13.

Q.15 From the following particulars, final over cash required for payment of wages in a factory for April 2015.

Wages for normal hours worked	Rs 20,500
Wages for overtime	Rs 2,200

Leave wages	Rs 1,700
Employees contribution to :	
PF	Rs 1,700
ESI	Rs 500
House rent to be recovered from 3 employees @ Rs. 1,000 per month	Rs 3,000

Q.16 Calculate normal and overtime wages payable to a workman:

Days	Mon	Tues	Wed	Thurs	Fri	Sat	Total
Hrs Worked	7	8	10	9	8	5	=47

Normal working hours 7 hrs per day
Normal wage rate Rs 10 per hr
Over time wage rate upto 8 hrs in a day at single rate and over 8 hrs in a day at double rate.
OR
Upto 42 hrs in a week at single rate and over 42 hrs at double rate whichever is more Beneficial to the workman.

Q.17 Calculate the earning of sanjay and sangeeta from the following particulars for the month of April,2015 and allocate the labour cost of each job X,Y and Z.

	sanjay	Sangeeta
Basic wages	10,000	16,000
D.A	100%	100%
Contribution to P.F (On basic)	12%	12%
Contribution to ESI (On basic)	1.75%	1.75%
Over time	10 hrs	

The normal working hours for the month are 200. Overtime is paid at double the total of normal wages and D.A
Employers contribution to P.F is 12% and to E.S.I 4.75%.
The two workers were employed on jobs X.Y and Z in the following proportion:

	X	Y	Z
Sanjay	40%	30%	30%
Sangeeta	50%	20%	30%

Overtime was done job Y.

Q.18. On the basis of the following information, calculate the earnings of ganesh and dinesh on the straight piece rate basis and Taylors Differential piece rate system.

Standard production :	8 units per system
Normal time rate:	Rs.4 per hour
Differential to be applied :	80% of piece rate below Standard.
	120% of piece rate at or Above standard.

In a 9 hour day ,Ganesh produces 54 units and dinesh produces produces 75 units.

Q.19 Using Taylors differential piece rate plan find the earnings of A from the following: Standard time per piece 12 minutes, normal rate per hour (8 hours a day) Rs.20.A produced 37 units.

Q.20. Calculate earnings of workers Nilesh and nilu under Taylors differential piece rate plan from the following particulars:

Standard time : one hour 100 units
Normal rate : Rs 10 per hour
Differential piece rate :

1. 80% of piece rate below standard.
2. 120% of piece rate at or above standard.

In a day of 8 hours nilesh produced 750 units and nilu produced 950 units.

Q.21. From the following particulars calculate the earning of X and Y on the straight piece rate basis and Tylors differential piece rate plan .Standard production 8 units per hour, normal time rate Rs. 40 per hour.
Differential to be applied:

1. 80% of piece rate below standard.
2. 120% of piece rate at or above standard.

In a 9 hour day X produced 50 units and Y produced 70 units.

Q.22. From the following particulars calculate earning of Xand Y who paid wages under Merricks differential plan .Normal piece rate (upto 83% of high task output) Rs 10 per unit .High task rate =40 units per week.
Output of the workers per week.

X 32 Units
Y 42 Units

Q.23 Calculate earning of workers A,B and C under straight piece rate system and Metricks multiple price rate system from the following particulars:

Normal rate per hour Rs. 5.40
Standard Time per unit 1 minute
Output per day is as follows:

A 390 units
B 450 units
C 600 units

Working hours per day 8 hours.

Q .24.
Standard output 120 units
Time rate Rs. 5per hours
Normal piece rate Rs. 50 per units
Production details of different workers is given below:

X 100 units
Y 120 units
Z 140 units

Guaranteed day wages Rs. 40.
Calculate earnings of 3 workers under Gantts task bonus plan.

Q.25. From the following particulars you are required to work out the earnings of a worker for a week under :
1. Straight piece rate
2. Differential piece rate
3. Halsey premium scheme (50% sharing)
4. Rowan premium scheme
Weekly working hours : 48
Hourly wage rate : Rs. 7.50
Piece rate per unit : Rs.3.00
Normal time taken per piece : 20 minutes
Normal output per week : 120 pieces
Actual output for the week : 150 pieces
Differential piece rate 80% of piece rate when output below normal and 120% of piece rate when output above normal.

Q.26. From the following particulars workout earnings for the week of a worker under :
1. Straight piece rate system.
2. Differential piece rate system.
3. Halsey premium system.
4. Rowan system .
Number of Working per week : 48
Wages per hour : Rs. 3.75
Rate per piece : Rs. 1.50
Normal Time per piece : 20 minutes
Normal output per week : 120 pieces
Actual output for the week : 150 pieces
Differential piece rate : 80% of piece rate when output is below standard and 120% when above standard.

Q.27 From the following information calculate the earnings of a worker under time rate method, piece rate method, Halsey plan and Rowan plan.

Information given :
Standard time : 30 hours
Time taken : 20 hours. Hourly rate of wages is Rs. 1 per hour plus a dearness allowance @ 50 paise per hour work.

Q.28. Compute the earning of a worker under time rate method, piece rate method, Halsey plan and Rowan plan.

Information given :
Wages rate : Rs.2 per hour.
Dearness allowance : Rs. 1 per hour.
Standard hours : 80.
Actual hours : 50.ss

CHAPTER 5: OVERHEADS COSTING

Q.1. The modern company is having four departments A, B & C are the producing departments and D is a servicing department.
The actual cost for a period are as follows:

	Rs.
Rent	2,000
Repairs	1,200
Depreciation	900
Light	200
Supervision	3,000
Insurance	1,000
Employee's Insurance	300
Power	2,400

The following data are also available in respect of our departments

	Dept. A	Dept. B	Dept. C	Dept. D
Area in sq. feet	150	110	90	50
Number of workers	24	16	12	8
Total wages	Rs. 8,000	Rs. 6,000	Rs. 4,000	Rs. 2,000
Value of plant	Rs. 24,000	Rs. 18,000	Rs. 12,000	Rs. 2,000
Value of stock	Rs. 15,000	Rs. 9,000	Rs. 6,000	Rs. ----

Apportion the costs to various departments on the equitable basis.

Q. 2 : A factory has 3 departments (P1,P2,P3) and 2 service departments (S1 & S2). The following overheads and other information are extracted from the books for the month of January 2014.

Expense	Amount Rs
Rent	6000
Repair	3600
Depreciation	2700
Lighting	600
Supervision	9000
Fire Insurance for stock	3000
ESI contribution	900
Power	5400

Particular	P1	P2	P3	S1	S2
Area sq.ft.	400	300	270	150	80
No. of workers	54	48	36	24	18
Wages	18000	15000	12000	9000	6000
Value of plant	72000	54000	48000	6000	-
Stock value	45000	27000	18000	-	-
Horse power of plant	600	400	300	150	50

Allocate or apportion the overhead among the various departments on suitable basis.

Q. 3. The following information is supplied from the costing record of a company:

Particular	Rs
Rent	2000
Maintenance	1200
Depreciation	900
Lighting	200
Insurance (Stock)	1000
Employer's contribution to P.F.	300
Energy	1800
Supervision	3000

Particulars	A	B	C	D
Floor space (sq.ft.)	150	110	90	50
Number of workers	24	16	12	8
Total direct wages(Rs)	8000	6000	4000	2000
Cost of machinery(Rs)	24000	18000	12000	6000
Stock of goods(Rs)	15000	9000	6000	-

Prepare a statement showing apportionment of costs to value departments.

Q. 4: The Modern Company is divided into four departments : A , B and C are production departments and D is a service department. The actual costs for a period are as follow:

Particulars	Rs
Rent	10000
Repairs to plant	6000
Depreciation of plant	4500
Supervision	15000
Fire Insurance (Stock)	5000
Power	9000
Light	1000
Employer's Insurance Liability	1500

The following information are available in respect of the departments:

Particular	A	B	C	D
Area (sq. Ft.)	1500	1100	900	500
Number of employees	20	15	10	15
Horsepower of machines	800	500	200	-
Total wages (Rs)	60000	40000	30000	20000
Value of plant(Rs)	2,40,000	1,80,000	1,20,000	60000
Value of stock(Rs)	1,50,000	90,000	60,000	-
Light Point (Nos.)	40	30	20	10

Apportion the costs of the various departments by the most equitable method.

Q. 5 MM Ltd. has three production departments X, Y, Z and two service departments S and C. The following details are extracted from the books of accounts in respect of indirect expenses incurred during April 2014:

Particulars	Amount (Rs)
Indirect Cost:	
Indirect Wages	9000
Lighting	1200
Rent and Rates	12000
Electric Power	6000
Depreciation	24000
Sundry Expenses	7800
	60,000

Following further details are collected for distribution of the above costs:

Particulars	X	Y	Z	S	C
Value of machinery(in Rs 000)	60	50	80	10	-
Horse power of machinery	40	45	60	5	-
Light points (Nos.)	20	30	40	20	10
Floor space (sq.metres)	150	200	250	100	50
Direct wages (in Rs 000)	30	20	40	4	6
Machine hours worked	4250	3380	71200	-	-

Prepare Primary Overhead Distribution Summery.

Q. 6. The following account balances and distribution of indirect charges are taken from the accounts of a manufacturing concern for the year ending on 31st march, 2014:

Items	Total Rs	X Rs	Y Rs	Z Rs	A Rs	B Rs
Indirect Material	1,25,000	20,000	30,000	45,000	25,000	5000
Indirect Labour	2,60,000	45000	50000	70000	60000	35000
Superintendent's salary	96,000	-	-	96,000	-	-
Fuel and Heat	15,000	-	-	-	-	-
Power	1,80,000	-	-	-	-	-
Rent and Rates	1,50,000	-	-	-	-	-
Insurance	18000	-	-	-	-	-
Meal Charges	60,000	-	-	-	-	-
Depreciation	2,70,000	-	-	-	-	-

The following departmental data are also available:

Particulars	X	Y	Z	A	B
Area (sq.ft.)	4,400	4000	3000	2400	1200
Capital value of Assets (Rs)	4,00,000	6,00,000	5,00,000	1,00,000	2,00,000
Kilowatt Hours	3,500	4000	3000	1500	-
Radiator Sections	20	40	60	50	30
No . of Employees	60	70	120	30	20

Prepare a Statements of Primary Distribution of Overhead.

Q. 7. The following cost information for a period is available for a small engineering unit:

(a) Allocated expenditure

	Total Rs	Machine Shop	Assembly	General Plant Services	Stores
Indirect Wages	29,300	8000	6000	4000	11,300
Stores consumed	6,700	2,200	1,700	1,100	1700
Supervisory Salaries	14,000	-	-	14,000	-
Other Salaries	10,000	-	-	10,000	-

(b) Expenditure to be apportioned

Power Shop	15,000
Rent	15,000
Insurance	3,000
Depreciation	1,00,000

(c) Additional information available

	Floor Area (sq.ft)	H.P. hrs.	No. Of Employees	Investment(Rs)
Machine Shop	2000	3,500	30	6,40,000
Assembly	1000	500	15	2,00,000
General Plant	500	-	5	10,000
Stores	1,500	1000	10	1,50,000

You are required to prepare an overhead primary distribution statement in detail.

Q. 8. The Modern Company has four departments. A, B and C are the production departments and D is a servicing departments. The actual costs for a period are as follows:

Particulars	**Rs(000)**
Indirect Materials	
Production Department: A	950
B	1,200
C	200
Servicing Department: D	1,500
Indirect Wages	
Production Department: A	900
B	1,100
C	300
Servicing Department: D	1000
Rent	2000
Repairs	1200
Depreciation	900
Light	200
Supervision	3000
Insurance	1000
Employee's Insurance(Employer's Liability)	300
Power	1800

The following data are also available in respect of four departments:

Particulars	A Rs	B Rs	C Rs	D Rs
Area (sq.ft.)	150	110	90	50
No. Of workers(Nos.)	24	16	12	8
Total wages	8000	6000	4000	2000
Value of plant(000)	24000	18000	12000	6000
Value of stock(000)	15000	9000	6000	-

Apportion the above costs to the various departments on the most equitable method.

Q. 9. Small Company Ltd. has three production departments and four service departments. The expenses for these departments as per Primary Distribution Summary were.

Particulars	Rs	Rs
Production Departments:		
A	15000	
B	13000	
C	12000	40,000
Service Departments:		
Stores	2000	
Time-keeping	1500	
Canteen	500	
Power	800	4800
Total		44,800

The following information are also available in respect of the production departments:

Particular	Dept. A	Dept. B	Dept. C
Horsepower of machines	300	300	200
Number of workers	20	15	15
Value of stores requisitioned(Rs)	2500	1500	1000

Apportion the costs of the various service departments to the production departments.

Q.10. M & Co. Has 3 production departments and 2 service departments. The expenses are as given below:

Expenses	Total(Rs)
Consumable Stores	15,400
Supervision	22,800
Rent & Rates	10,000
Insurance	2000
Depreciation	30,000
Power	9000
Light & Heat	4000
Total	93,200

The following information is available:

Bases	Machine Shop	Assembly Shop	Finishing Dept.	Stores	Repairs & Maint.
Direct Materials	34%	39%	13%	4%	10%
Direct Wages	35%	22%	27%	10%	7%

Area (sq. ft.)	5,250	3,500	4,375	1,750	2,625
Asset Value	2,00,000	2,25,000	50,000	12,500	12,500
H.P. x Hours x LF	10,800	7,200			

(a) Prepare the Primary Distribution Statement using the most appropriate basis for apportionment.

(b) The machine Shop, Assembly Shop and Finishing Departments have issued stores requisitions in the ratio of 9:6:5, and repairs requests in the ratio of 2:3:1. Prepare the Secondary Distribution Statements on non-reciprocal (direct distribution)basis.

Q.11. In an engineering factory, the following particulars have been extracted for the year ended 31-12-2013:

Particulars	**A**	**B**	**C**	**X**	**Y**
Direct wages(Rs)	30,000	45,000	60,000	15,000	30,000
Direct Materials (Rs)	15,000	30,000	30,000	22,500	22,500
Staff number	1,500	2,250	2250	750	750
Electricity (Kwh)	6000	4500	3000	1500	1500
Asset value(Rs)	60,000	40,000	30,000	10,000	10,000
Light Points	10	16	4	6	4
Area (sq.mtr.)	150	250	50	50	50

The expenses for the period were as follows:

Particulars	**Rs**
Power	1,100
Lighting	200
Stores Overhead	800
Welfare to staff	3000
Depreciation	30,000
Repairs	6000
General overhead	12,000
Rent and taxes	550

Apportion the expense of service department Y according to direct wages and those of service department X in the ratio 5:3:2 to the production departments.
You are required to prepare an Overhead distribution Summary.

Q.12. Calculate the machine hour rate from the following details.

Bought machinery	Rs. 45,000
Installation charges	Rs. 5,000
Life of machines	5 years
Working hours per year	2,500
Repair charges	75% of depreciation
Electric power consumed	10 units per hr @ 15 paisa per unit
Lubricant oil	Rs. 4 per day of 8 hrs
Consumable stores	@ Rs. 10 per day of 8 hrs
Wages of machine operator	@ Rs. 8 per day of 8 Hrs

Q.13. The following particulars relate to a new machine:

Purchase price	4,00,000
Installation expenses	1,00,000
Rent per quarter	3,750
General lighting for the total area	1,000 per month
Foremen's salary	30,000 per annum
Insurance premium for the machine	3,000 per annum
Departmental overheads for the machine	5,000 per annum
Consumable stores	4,000 per annum

Power – units per hour at 50 paisa per unit.

The estimated life of the machines is 10 years and scrap value at the end of 10 th year is Rs. 1,00,000. The machine is expected to run 20,000 hours in its life time. The machine occupies 25% of total area. The foreman devotes 1/6th of his time for the machine.

Q.14. From the following information, compute machine hours rate.

Cost of machines	Rs. 44,000
Scrap value	Rs. 4,000
Rent for the workshop	Rs. 25,000 per annum
General lighting for the workshop	Rs. 160 per month
Power consumption 20 units per hour	@ Rs. 20 per every 100 units
Administrative expenses allocated to the machine	Rs. 4,000 per annum
Repairs and maintenance	75% of depreciation
Workshops supervisors salary	Rs. 3,000 per month
Estimated working time per year	50 weeks of 40 hours each
Setting up time which is regarded as productive time	200 hours per year
Effective life of the machine	10 years

The machine occupies 1/4th area of the workshop. The supervisor is expected to above 1/3rd of his time in supervising the machine.

Illustration 15. Compute the machine hour rate from the following data:

Cost of machine	1,00,000
Installation charges	10,000
Estimated scrap value after the expiry of its life (15 years)	5,000
Rent and rates for the shop per month	200
General lighting for the shop per month	300
Insurance premium for the machine per annum	960
Repairs and maintenance expenses per annum	1,000
Power consumption – 10 units per hour	
Rate of power per 100 units	20

Estimated working hours per annum – 2,220

(This includes non-productive setting up time of 200 hrs)

Shop supervisor's salary per month

The machine occupies 1/4th of the total area of the shop. The supervisor is expected to devote 1/5th of his time for supervising the machine.

Q.16. From the following particulars, calculate machine hour rate:

(i) Cost of machine Rs. 1,00,000
Estimated life 10 years
Scrap value Rs. 10,000

(ii) Estimated working time – 50 weeks of 44 hours each. It includes the following:

a. Time taken up in maintenance 200 hrs
b. Setting up time 100 hrs

However, setting up tome is regarded as productive time.

(iii) Power used during production is 16 units per hour @ 9 paise per unit. No current is taken during maintenance or setting up time.

(iv) The machine requires a chemical solution which is replaced at the end of each week at a cost of Rs. 20 each time.

(v) Cost of maintenance – Rs. 1,200 per annum

(vi) A supervisors oversees the operation of this machine together with five other identical machines. His weekly salary amounts to Rs. 120.

(vii) General work overheads allocated to this machine for the year amount to Rs. 2,000.

Q. 17. Compute a comprehensive machines hour rate for a machine in Production department 'A' of factory from the following details:

Machine :

Cost including installation charges	Rs. 20,00,000
Estimated useful life	10 years
Estimated salvage value	10%

Working hours:

Number of working days	300
Number of shift per day	2
Effective working hours per shift	7
Stoppages for repairs and maintenance	200 hrs

Operating & Other cost:

1. Wages of two operators (one for each shift) @ Rs. 5,000 per month
2. Salary of supervisor (one for each shift) @ Rs. 7,500. (only one-fifth of the supervisor's time devoted to this machine)
3. Electric power : 20 units per hour, each unit costing Rs. 3.20
4. Insurance charges : Rs. 5,000 per annum
5. Repairs and maintenance (estimated): Rs. 12,500 p.m.
6. Rent rates and taxes (allocated): Rs. 10,000 p.a.
7. General lighting etc (allocated): Rs.750 p.m.
8. Other factory overheads (allocated): Rs. 1,40,000..

Q.18 from the following data of textile factory machine room, compute an hourly machine rate, assuming that the machine room will work on 90% capacity throughout the year and that a breakdown of 10% is reasonable. There are three days holiday at deepawali, 2 days at Holi and 2 days at Christmas exclusive of Sundays. The factory work 8 hours a day and four hours on Saturday. Number of machines (each of the same type) – 40

Expensive per annum:

Power	3,12,000
Light	64,000

Salaries to foremen	1,20,000
Lubricating oil	6,600
Repairs to machine	1,44,600
Depreciation	78,560

Q.19. In a machine department of a factory there are five identical machines. From the particulars given below; prepare the machine hour rate for one of the machines.

Space of the department	10,000 sq.mts.
Space occupied by the machines	2,000 sq.mts.
Cost of the machines	Rs. 20,300
Scrap value of the machines	Rs. 300
Estimated life of machines	13 years
Depreciation charged at	7.5% p.a.
Normal running of the machine	2,000 hours
Power consumed by the machine as shown by the meter	3,600 p.a.
Estimated repairs and maintenance throughout the Working life of the machine	Rs. 5,200

Other expenses of the department are:

Rent and rates	Rs. 9,000
Lighting (to be apportioned according to workers employed)	400
Supervision	1,250
Other charges	5,000

It is ascertained that the degree of supervision required by the machine is $2/5^{th}$ and $3/5^{th}$ being devoted to other machines. There are 16 workers in the department of whom 4 attended to the machine and the remaining to the other machines.

Q.20. Particulars of three machines used in a factory are as under (six week period, 160 hours working)

Particulars	**Machine X Rs.**	**Machine Y Rs.**	**Machine Z Rs.**
Cost of machine	10,000	15,000	20,000
No. of working	2	5	10
Direct wages	300	800	1,200
Power	45	80	150
Light points	2	4	6
Area occupied	100 sq.ft.	250 sq.ft.	400 sq.ft.

The expenses incurred during the period were as follow:

	Rs.
Power	275
Lighting	48
Rent and taxes	450
Depreciation	1,350
Repairs	1,800
Indirect wages	460
Canteen expenses	51
Sundries	300
Total	4,734

Compute the machine hour rate for each machine.

1. Introduction to Cost Accounting

A] MULTIPLE CHOICE QUESTIONS

1] Which of the following statements is/are true?
(i) The Financial Accounts do not indicate the profit or loss made on each contract separately.
(ii) Financial Accounts do not show the profit or loss made by each process, division or branch separately.
(iii) Financial Accounting is based on past records.
(a) Only (i) (b) Only (ii)
(c) Only (iii) **(d) All**

2] Which of the following statements is False?
(a) The limitations of Financial Accounting have led to the origin and evolution of Cost Accounting
(b) Financial Accounts fail to give a product-wise break-up of profit or loss
(c) Financial Accounts help to judge the efficiency or productivity of the concern
(d) Cost Accounting Techniques help the management in making decisions or planning for future

3] Cost accounting is directed toward the needs of
(a) Government (b) External users
(c) Internal users (d) Shareholders

4] Which of the following is not a function of Cost Accounting?
(a) Cost ascertainment (b) Planning and control
(c) Decision-making **(d) External reporting**

5] Cost information facilitates many important decisions except
(a) Introduction of a product (b) Whether to make or buy
(c) Rate of dividend (d) Exploration of an additional market

6] Measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or rendering services is known as
(a) Revenue expenditure (b) Capital expenditure
(c) Cost **(d) None of the above**

7] Process of ascertainment of costs is known as
(a) Costing (b) Cost reporting
(c) Cost control (d) None of the above

8] The guidance and regulation by executive action of the costs of operating an undertaking is known as
(a) Operating costing (b) Cost reduction
(c) Cost control (d) None of the above

9] Cost Accounting covers
(a) the preparation of statistical data
(b) the application of cost control methods
(c) the ascertainment of the probability of activities carried out or planned
(d) all the above

10] Which of the following statements is true?
(a) The word "cost" has the same meaning in all situations in which it is used
(b) Different cost concepts and classifications are used for different purposes
(c) All organizations incur the same types of costs
(d) Costs incurred in one year are always meaningful in the following year

11] Costs behavior refers to
(a) how costs react to a change in the level of activity
(b) whether a cost is incurred in a manufacturing, trading, or service company
(c) Classifying costs as either product or period costs
(d) whether a particular expense has been incurred honestly

12] An example of fixed cost is:
(a) Materials consumed **(b) Depreciation**
(c) Factory power (d) Packing material

13] A cost per unit which increases or decreases when volume of output increases or decreases is known as
(a) Fixed cost (b) Variable cost
(c) Semi-variable cost (d) None of the above

14] Which of the following would not be considered a fixed cost?
(a) Rent
(b) Depreciation
(c) Cost of bottles used in the production of soft drinks
(d) Property taxes

15] An example of variable cost is
(a) Property taxes (b) Interest on capital
(c) Direct material cost (d) Depreciation of machinery

16] Variable cost per unit
(a) Varies when output varies **(b) Remains constant**
(c) Increases when output increases (d) decreases when output decreases

17] Which of the following g is not an example of a variable cost?
(a) Straight-line depreciation on a machine expected to last five years
(b) Piece-rate wages paid to manufacturing workers
(c) Wood used to make furniture
(d) Commissions paid to sales personnel

18] Which of the following costs will vary directly with the level of production?
(a) Total manufacturing costs (b) total cost of sales
(c) Variable selling costs **(d) Variable product costs**

19] If the level of activity increases
(a) Variable cost per unit and total fixed costs increase
(b) fixed cost per unit and total variable cost increase
(c) total cost will increase and fixed cost per unit will in decrease
(d) variable cost per unit and total cost increase

20] When 10,000 units are produced, variable costs are Rs. 6 per unit. Therefore, when 20,000 units are produced
(a) Variable costs will total Rs. 1,20,000
(b) variable costs will total Rs. 60,000
(c) variable unit costs will increase to Rs. 12 per unit
(d) variable units costs will decrease to Ts. 3 per unit

21] Costs which are ascertained after they have been incurred are know as
(a) Imputed costs (b) Sunk costs
(c) Historical costs (d) Opportunity costs

22] Prime costs plus variable overhead is known as
(a) Production cost **(b) Marginal costs**
(c) Total cost (d) Cost of sales

23] When premises are owned, a charge in lieu of rent is
(a) an opportunity cost **(b) an imputed cost**
(c) a sunk cost (d) an avoidable cost

24] Costs which are not relevant for decision-making and are not affected by increase or decrease in volume are
(a) Imputed costs **(b) Suck costs**
(c) Historical costs (d) Opportunity costs

25] When amount deposited in a bank is withdrawn for financing a project, the loss of interest on bank deposit will be referred to as
(a) Sunk costs (b) Pre-production cost
(c) Opportunity costs (d) Replacement cost

26] The cost of a special device that is necessary if a special order is accepted is a
(a) Relevant cost (b) Suck costs
(c) Historical costs (d) Opportunity costs

27] A cost centre is
(a) A unit of product or service in relation to which costs are ascertained
(b) An amount of expenditure attributable to an activity

(c) A production or service location, function, activity or item of equipment for which costs are accumulated
(d) A centre for which an individual budget is drawn up

28] A cost unit is
(a) the cost per hour of operating a machine
(b) the cost per unit of electricity consumed
(c) a unit of product or service in relation to which costs are ascertained
(d) a measure of work output in a standard hour

29] Costs that can be easily traced to a specific department are called
(a) Direct costs (b) indirect costs
(c) Overheads (d) Processing costs

30] The three major elements of product costs are all except
(a) Direct materials (b) Factory overhead
(c) Direct labour **(d) Indirect labour**

31] Indirect costs
(a) can be traced to a cost object
(b) cannot be traced to a particular cost object
(c) are not Important
(d) are always variable costs

32] Indirect costs are known as
(a) Variable costs (b) Fixed costs
(c) Overheads (d) None of the above

33] A functional classification of costs would classify 'depreciation on office equipment" as a
(a) Product cost **(b) Administrative cost**
(c) selling expenses (d) Variable cost

34] Direct material is a
(a) Manufacturing cost (b) Administrative cost
(c) Selling and distribution cost (d) Any of the above

35] A particular cost is classified as being semi-variable. What is the effect on the TOTAL COST if activity increases by 20%?
(a) Stays the same (b) Decreases by less than 20%
(c) Increases by 20% **(d) Increases by less than 20%**

36] Costs that change in response to alternative courses of action are called
(a) Relevant costs **(b) Differential costs**
(c) Target costs (d) Sunk costs

37] A production worker paid salary of Rs. 700 per month plus an extra Rs. 5 for each unit produced during the month. This labour cost is best described as

(a) A fixed cost (b) A variable cost
(c) A semi-variable cost (d) A step fixed cost

38] The functional classification of cost include the following except
(a) Prime cost (b) Production cost
(c) Administration cost (d) Marketing cost

39] Which of the following is not included in the administration cost?
(a) Salaries of general office staff **(b) Salaries of foremen**
(c) Office supplies and expenses (d) Postage, stationery, telephone, etc.

40] You are given the cost and volume information below:

Volume	**Cost**
1 unit	Rs. 15
10 units	Rs. 150
100 units	Rs. 1,500

What type of a cost is given?
(a) Fixed cost **(b) Variable cost**
(c) Step cost (d) Mixed cost

41] Which of the following statements regarding graphs of fixed and variable costs is true?
(a) Variable costs can be represented by a straight line where costs are the same for each data point
(b) Fixed costs can be represented by a straight line starting at the origin and continuing through each data point
(c) Fixed cost are zero when production is equal to zero
(d) Variable costs are zero when production is equal to zero

42] The following data relate to two output levels of a department:

Machine Hours	17,000	18,500
Overheads (Rs.)	2,46,500	2,51,750

The variable overhead rate per hour is Rs. 3.50. The amount of fixed overheads is
(a) Rs. 5,250 (b) Rs. 59,500
(c) Rs. 1,87,000 (d) Rs. 2,46,500

B] FILL IN THE BLANKS:
1] _____ is a measurement, in monetary terms, of the amount of resources used for the purpose of production of goods or rendering services.
2] _____ means the process of ascertainment of costs.
3] _____ is the guidance and regulation by executive action of the costs of operating an undertaking .
4] _____ is the process of accounting for the costs from the point at which expenditure is incurred, to the establishment of its ultimate relationship with costs centre's and cost units.
5]_____ of costs is the arrangement of items of costs in logical groups having regard to their nature or purpose.

6] _____ (Subjective/Objective) Classification of costs is the arrangement of items of costs in logical groups having regard to their nature.
7] _____ (Subjective/Objective) Classification of costs is the arrangement of items of costs in logical groups having regard to their purpose.
8] Costs are classified, on the basis of_____, into Fixed Cost, Variable Cost and Semi-fixed of Semi-variable cost.
9] Costs are classified, on the basis of behavior, into Fixed Cost, Variable Cost and Semi-fixed or Semi-variable cost, depending upon the response to the changes in_____ level.
10] Costs are classified, on the basis of behavior, into Fixed Cost, Variable Cost and ____ cost.
11] _____ Cost is the cost which does not vary will the change in the volume of activity in the short run.
12] Fixed Cost is the cost which does not vary with the change in the volume of_____ in the short run.

13] Fixed Cost is the cost which does not vary with the change in the volume of activity in the _____ (long/short) run.
14] _____ Cost is the cost of elements which tends to directly vary with the volume of activity.
15] Variable Cost is the cost of elements which tends to directly vary with the _____ of activity.
16] Variable cost has two parts- (a) Variable ____ cost; and (b) Variable _____ costs.
17] _____ Costs contain both fixed and variable elements.
18] _____ Costs are the actual costs of acquiring assets or producing goods or services.
19] _____ costs for a product are computed in advance of production, on the basis of a specification of all the factors affecting cost and cost data.
20] _____ costs are costs calculated in advance of production or even before accepting sales order.
21] _____ Cost is the aggregate of variable costs.
22] _____ Cost is the aggregate of prime cost plus variable overhead.
23] _____ Cost is hypothetical or national cost not involving any actual cash payment computed only for the purpose of decision-making.
24] _____ Cost is historical cost which is incurred in the past, and not relevant to the decision required to be made by the management at present.
25] _____ Cost is an unusual or atypical cost whose occurrence is usually irregular and unexpected and due to some abnormal situation of the production.
26] _____ Costs are inescapable costs which are essentially to be incurred, within the limits or norms provided for.
27] _____ Cost is the change in cost due to change in activity from one level to another.
28] If an expenditure can be allocated to a cost centre or a cost unit then it is called____.
29] Indirect cost is also known as_____.
30] Cost_____ is any unit of cost selected with a view of accumulating all costs under that unit.
31] Cost____ is a form of measurement of volume of production or service.
32] _____ (Direct/Indirect) Material Cost is the cost of material which can be readily allocated to a cost centre or a cost object in an economically feasible way.
33] _____(Direct/Indirect) Labour Cost is the cost of wages of those workers whose are readily identified or linked with a cost centre or cost object.

34] Direct Expenses are the expenses_____ (such as/ other than) direct material or direct labour which can be identified or linked with the cost centre or cost object.
35] _____ is "a system of symbols designed to be applied to a classified set of items to give a brief account reference, facilitating entry collection and analysis".
36] A _____ is a unit of product or service in relation to which costs are ascertained.
37] A_____ cost is an expenditure which can be economically identified with and specifically measured in respect to a relevant cost object.
38] _____ cost is the total cost of direct material, direct labour and direct expenses.
39]An _____ or _____ cost is an expenditure on labour, material or services which cannot be economically identified with a specific saleable cost unit.
40] A cost _____ is a production or service location, function, activity or item of equipment for which costs are accumulated.
41] A _____ cost is a cost which is incurred for an accounting period and which tends to be unaffected by fluctuations in the levels of activity.
42] A_____ cost is a cost which is directly related to output.
43] Cost Accounting Standard _____ deals with Material Cost.

Ans:- (1) Cost **(2)** Costing **(3)** Cost control **(4)** Cost Accounting **(5)** Classification **(6)** Subjective **(7)** Objective **(8)** behavior **(9)** activity **(10)** Semi-variable **(11)** fixed **(12)** Activity **(13)** Short **(14)** Variable **(15)** Volume **(16)** Direct; Indirect **(17)** Semi Variable **(18)** Historical **(19)** Pre-determined **(20)** Estimated **(21)** Marginal **(22)** Marginal **(23)** Imputed **(24)** Sunk **(25)** Abnormal **(26)** Unavoidable **(27)** Differential **(28)** Overhead **(29)** Overhead **(30)** Centre **(31)** Unit **(32)** Direct **(33)** Direct **(34)** Other than **(35)** Code **(36)** Cost unit **(37)** Direct **(38)** Prime **(39)** Overhead or Indirect **(40)** Centre **(41)** Fixed **(42)** Variable **(43)** 6

C] MATCH THE FOLLOWING
A]

COLUMN A	COLUMN B
1. Amount of resources used for	(a) Financial Accounting
2. Production of goods	(b) Capital expenditure
3. Used by investors, creditors	(c) Internal records
4. Cost control	(d) Cost Accounting
	(e) Cost
	(f) Reduction of costs
	(g) Regulation of costs

Ans:- [1-e], [2-c], [3-a], [4-g]

[B]

COLUMN A	COLUMN B
1. Total fixed costs	(a) Remains constant per unit
2. Total variable cost	(b) Cost not assigned to be products
3. Unit variable cost	(c) What cost should be?
4. Unit variable cost	(d) Remain constant in total
5. Standard cost	(e) What costs are expected to be
6. Period cost	(f) Decreases with rise in output
7. Actual cost	(g) Added value of a new product
8. Labour and overhead	(h) Incurred cost
9. Incremental cost	(i) Cost of conversion
10.Budgeted cost	(j) Increase in proportion to output

Ans:- [1-d], [2-j], [3-a], [4-f], [5-c], [6-b], [7-h], [8-i], [9-g], [10-e]

[C]

COLUMN A	COLUMN B
1. Costs classified on basis of natural elements	(a)Relevant, Differential, Opportunity and Sunk Costs
2. Costs classified on basis of traceability to object	(b) Fixed, Variable and Semi-variable Costs
3. Costs classified on basis of Functions	(c) Material, Labour and Expenses
4. Cost classified on basis of variability	(d)Production ,Administration, Selling and Distribution Costs
5. Costs classified for decision-making	(e) Direct and Indirect Costs

Ans:- [1-c], [2-e], [3-d], [4-b], [5-a]

[D] STATE WHETHER TRUE OR FALSE

1. Financial Accounts fail to give a product-wise break-up or profit or loss. **True**
2. Financial Accounts fail to show whether there was any abnormal waste during the process or production. **True**
3. Cost Accounting ascertains the individual costs of each contract. **True**
4. Cost Accounting helps the management to control the cost of Materials, Labour and Expenses. **True**
5. Cost Accounting helps in controlling the leakage and wastage of materials. **True**
6. Cost Accounting is used by investors, creditors etc. **False**
7. Costing is a comprehensive term which includes Cost Accounting. **False**
8. Periodical Matching of income and expenses is one of the fundamental assumptions of cost accounting. **False**
9. Cost Accounting provides data for managerial decision-making. **True**
10. Cost Accounting gets its basic data for estimates from the financial accounting system. **True**
11. Cost accounting can be used only in manufacturing concerns. **False**
12. Costing, cost accounting and cost accountancy mean one and the same thing. **False**
13. Cost accounting is a branch of financial accounting. **False**

14. Cost accounting provides cost information not only-to management but also to shareholders. **False**
15. Cost accounting information focuses on external reporting. **False**
16. A profitable business concerns does not need costing system. **False**
17. Cost accounting is not needed by a non-profit organization such as a hospital. **False**
18. Cost accounting is not needed if the price is beyond the control of the firm. **False**
19. Cost accounting assists financial accounting with regard to the valuation of inventory. **True**
20. The scope of cost accounting includes cost ascertainment, cost presentation and cost control. **True**
21. Since pricing is a matter of managerial policy, cost information is useless for price fixation. **False**
22. Cost accounting provides information for ascertaining the financial position as on a particular data. **False**
23. Cost accounting helps in controlling cost. **True**
24. Costing and cost accounting are the same. **False**
25. Cost Control means a lower amount of profit to the company. **False**
26. Cost reduction is the payment for which is not actually made, is an example of imputed cost. **False**
27. All costs are controllable. **False**
28. Interest on capital, payment for which is not actually made, is an example of imputed cost. **True**
29. An item of cost which is uncontrollable by one Manager may be controllable by another. **True**
30. Only variable costs are controllable. **False**
31. Variable cost remains constant per unit within a range of activity. **True**
32. Sunk costs are relevant to present decisions. **False**
33. Imputed costs are a type of opportunity costs. **True**
34. Variable overheads vary with time. **False**
35. Fixed costs vary with the level of production or sales volume. F**alse**
36. Marginal costs are not at all helpful to management for decision-making. **False**
37. Cost Accounting Standard 2 deals with Classification of Cost. **False**

2. Material Cost

MULTIPLE CHOICE QUESTIONS

A] Conceptual

1. In most of the manufacturing industries, the most important element of cost is
(a) Material (b) Labour (c) Overheads (d) None of the above

2. Continuous stock taking is part of
(a) Annual stock taking **(b) Perpetual inventory**
(c) ABC analysis (d) None of the above

3. Which of the following is considered to be a normal loss of material?
(a) Loss due to accidents **(b) Pilferage**
(c) Loss due to careless handling of material (d) Loss due to breaking the bulk

4. Bin card is maintained by the
(a) Accounts department (b) Costing department **(c) Stores** (d) None of the above

5. Bin card contains
(a) Details of the price of raw material lying in the Bin
(b) Details of the price and quantity of raw material lying in the Bin
(c) Details of quantity of material lying in the Bin
(d) None of the above

6. Which of the following assumptions are made for the calculation of Economic Order Quantity?
(a) Anticipated usage of material in units is known
(b) Cost per unit of material is constant and known
(c) Ordering cost per order is fixed
(d) All the above

7. Which of the following is an accounting record?
(a) Bill of Materials (b) Bin card **(c) Stores ledger** (d) All of these

8. Which of the following methods of stock control aims at concentrating efforts on selected items of materials?
(a) Perpetual inventory system
(b) Material turnover
(c) Maximum, minimum and re-order level setting
(d) ABC analysis

9. The classification of items in ABC analysis is made on the basis of
(a) investment value of materials (b) Consumption value of materials
(c) Quantity of material consumed **(d) All of these**

10. Which of the following documents is used for issuing materials to production departments?

(a) Purchase Requisition Note (b) Stores requisition Note
(c) Goods Received Note **(d) Stores Credit Note**

11. The storekeeper should initiate a purchase requisition when stock reaches
(a) Minimum level (b) Maximum level
(c) Re-order level (d) Average level

12. Which of the following material losses should be transferred to Costing Profit and Loss Account?
(a) Loss by evaporation
(b) Loss due to improper storage of materials
(c) Loss due to breaking the bulk
(d) All of these

13. A written request to a supplier for specified goods at an agreed upon price is called a:
(a) Purchase order (b) Receiving report
(c) Purchase requisition (d) Materials requisition form

14. Which of the following documents in a cost accounting system is designed to exercise control over the delivery of and accurate recording of the receipt of goods?
(a) Goods received note (b) Material requition
(c) Order to the supplier (d) Purchase requisition

15. A purchase requisition is raised
(a) to intimate to the supplier the quantity and quality of new material required
(b) when the stock of raw material has fallen to the recorder level
(c) when goods are received from a supplier
(d) to let the accounts department know that an invoice should be expected from a supplier

16. The reorder level is
(a) the number of units that should be ordered
(b) the level of inventory when next order should be placed
(c) the economic order quantity
(d) both (b) and (c)

17. The costs of goods acquired from suppliers including incoming freight or transportation costs are:
(a) Purchasing costs (b) Ordering costs
(c) Stockout costs (d) Carrying costs

18. The costs of preparing, issuing, and placing purchase orders, plus receiving and inspecting the items included in orders is:
(a) Purchasing costs **(b) Ordering costs**
(c) Stockout costs (d) Carrying costs

19. The costs that result when a company holds an inventory of goods for sale:
(a) Purchasing costs **(b) Carrying costs**

(c) Opportunity costs (d) Interest costs

20. The costs associated with storage are an example of which cost category?
(a) Quality costs (b) Labour costs
(c) Ordering costs **(d) Carrying costs**

21. If there is increase in the size of inventory orders, Number of orders per year will
(a) Increase (b) decrease
(c) remain same (d) change depending on other factors

22. If there is increase in the size of inventory orders, Total annual carrying costs will
(a) Increase (b) decrease
(c) remain same (d) change depending on other factors

23. If there is increase in the size of inventory orders, Total annual ordering costs will
(a) increase **(b) Perpetual inventory**
(c) remain same (d) change depending on other factors

24. Continuous stock taking is a part of
(a) Annual stock taking **(b) Perpetual inventory**
(c) ABC analysis (d) Inventory Turnover Ratio analysis

25. Material control involves control over
(a) Consumption of material
(b) Issue of material
(c) Purchase of material
(d) Purchase, storage and issue of material

26. Material requisition is meant for
(a) Purchase of material **(b) Supply of material from stores**
(c) Sale of material (d) Storage of material

27. Perpetual inventory system involves
(a) Bin card and Stores ledger
(b) Bill of material and Material requisition
(c) Purchase requisition and purchase order
(d) Inward and Outward invoices

28. FIFO is
(a) Fast Investment in Future Order **(b) First in First Out**
(c) Fast in Fast Out (d) Fast issue of Fast Order

29. Material is issued by store keeper against
(a) Material requisition (b) Material order
(c) Goods received note (d) Purchase requisition

30. EOQ stands for

(a) Economic Order Quantity (b) Essential Order Quantity
(c) Economic Output Quantity (d) Essential Output Quantity

31. The document which is prepared after receiving and inspecting material
(a) Material record note **(b) Goods received note**
(c) Bill of material (d) Inventory record

B. Numerical

32. Price per unit Rs. 150, annual consumption 2,000 units, ordering cost Rs. 300 per order and other charges 20% of cost. What should be the quantity of each order?
(a) 150 units **(b) 200 units** (c) 225 units (d) None of the above

33. If the annual demand is equal to 500 units, ordering cost is equal to 40 and carrying cost is equal to Rs. 4 per unit, the EOQ is
(a) 10 (b) 31.62 **(c) 100** (d) 37.5

34. If the EOQ is 400 units, the ordering cost is Rs. 0.20, the carrying cost Rs. 20, how many orders are placed per year?
(a) 1 (b) 5 **(c) 2** (d) 4

35. A factory requires 8,000 units of a component every year. The cost of placing and following up an order is Rs. 100 and the storage cost per annum is Rs. 40. The Economic order quantity (EOQ) is _____ units.
(a) 1,00,000 units (b) 5,000 units
(c) 10,000 units (d) 7,500 units

36-37. Expected annual usage of a particular raw material is 2,00,000 units and the economic order quantity is Rs.10,000 units. The invoice cost of each units is Rs.500 and the cost to place are order is RS.80.
The average inventory is
(a) Rs. 1,600 **(b) Rs. 10,000** (c) Rs. 3,200 (d) Rs. 5,000

37. The estimated annual order cost is
(a) Rs.1,600 (b) Rs.10,000 (c) Rs.3,200 (d)Rs.5,000

38. O Ltd. Maintains the inventory records under perpetual system of inventory .Consider the following data pertaining to inventory to O Ltd. Held for the month of March 2014.

Date	particulars	Quantity cost per unit (Rs.)
Mar.1	Opening inventory	15,400
Mar.4	Purchases	20,450
Mar.6	Purchases	10,460

If the company sold 32 units on March 24,2014, closing inventory under fIFO method is
(a)Rs.5,200 (b) Rs.5,681 (c) Rs.5,800 **(d) Rs.5,950**

39. The following are the details regarding purchases of a certain item during the month of January .

January 1	purchases 200 units @ Rs.7	Rs.1,400
January 8	Purchases 900 units @ Rs.8	Rs. 7,200
January 25	Purchases 300 units @ Rs.9	Rs. 2,700
January 30	Purchases 400 units @ Rs.10	Rs. 4,000
		Rs. 15,000

A physical inventory of the items taken on January 31 shows that there are 700 units in hand. The valuation of inventory as per FIFO method is:
(a) Rs. 5,400 **(b) 6,700** (c) Rs. 8,600 (d) 5,000

40. The annual demand of a certain component bought from the market is 1,000 units. The cost of placing an order is Rs. 60 and the carrying cost per unit is Rs. 3 p.a. The Economic Order Quantity for the item is _____.
(a) 200 (b) 400 (c) 600 (d) 300

41. A firm requires 16,000 Nos. of certain component, which it buys at Rs. 60 each. The cost of placing an order and following it up is Rs. 120 and the annual storage charges works out to 10% of the cost of the item. To get maximum benefit the firm should place order for _____ units at a time.
(a) 1,000 (b) 900 **(c) 800** (d) 600

42. A manufacture used 400 units of component every month and he buys them entirely from an outside supplier @ Rs. 40 per unit. The order placing and receiving cost is Rs. 100 and storage and carrying cost is 15% of the value of stock. To get maximum benefit, he should place an order for _____ units at a time.
(a) 300 units **(b) 400 units** (c) 450 units (d) 500 units

43. The average annual consumption of material is 20,000 kgs. at a price of Rs. 2 per kg. The storage cost is 16% on average inventory and the cost of placing one order is Rs. 50. How much is to be purchase at a time?
(a) 2,000 kgs. **(b) 2,500 kgs.** (c) 1,800 kgs. (d) 3,000 kgs.

Hints:
38. (10 x 460) + (3 x 450)
39. (400 x 10) + (300 x 9)

40. $\sqrt{\frac{2 \times 1{,}000 \times 60}{3}} = 200$

41. $\sqrt{\frac{2 \times 16{,}000 \times 120}{60 \times 10/100}} = 800$

42. $\sqrt{\frac{2 \times 4{,}800 \times 100}{40 \times 15/100}} = 400$

43. $\sqrt{\frac{2 \times 20{,}000 \times 50}{2 \times 16/100}} = 2{,}500$

Q.2: FILL IN THE BLANKS
1 A request for a specific item made in writing to the Purchase Department is called a Purchase _____.
2 Purchase _____ is a contract between the purchaser and the supplier for the supply of material on agreed items.

3 Once _____ is issued by the Store the material becomes the property of the purchasing company and the responsibility of the Stores.
4 The initial sanction of the total quantity in respect of a job or contract is made through a document known as _____.
5 Abnormal losses in stock _____ (are/are not) charged to cost of production.
6 Loss due to evaporation is a _____ (normal avoidable/normal unavoidable/ abnormal) loss of materials.
7 The formula for calculating economic order quantity is _____.
8 In ABC analysis, _____ (A/B/C) Category of items are about 10% of items having 70% of value.
9 Under the _____ (Perpetual/ Periodical) inventory system, closing stock is ascertained from the stock ledger itself, after each receipt or issue.
10 Bin card is maintained by the _____.
11 Abnormal losses of materials at which a new order for material is to be placed.
12 _____ is that level of materials at which a new order for material is to be placed.
13._____ represents that quantity of material which is normally ordered when the material reach ordering level.
14. Under the ABC technique 'A' stands for _____value items .
15. Goods received Note is prepared by the _____.
16.Quantities of material on hand as shown by the bin cards should agree with quantities on the _____.
17. Under the _____ method, a new issue price is determined after each purchase .
18. The formula for fixing minimum stock level is _____.
19. The two perpetual inventory records are_____ and _____.
20. A method of recording balances after every receipt and issue to facilitates regular checking and to obviate closing down for stock taking is known as _____.
21. Two important opposing factor in fixing the economic order quantity are cost of _____and cost of stock .
22. The method of regular physical verification of material throughout the year is known as _____stock-taking.
23. _____ discount is a special type of discount allowed for bulk purchases.
24. _____ is a document on which is recorded the transfer of material from one job or department to another .
25. _____ is document which authorizes and record the issue of material for use.
26. In _____ method stock is valued at the latest price paid .
27._____ is a document which records the return of unused material.

Ans:- (1) Requisition (2) Order (3) Goods received Note (4) Bill of Materials (5) are not (6) normal avoidable

(7) EOQ = $\sqrt{\frac{2\,AO}{C}}$ A (9) Perpetual (10) storekeeper (11) Costing Profit and Loss A/c (12) Re-order level (13) Re-order quantity (14) High (15) Receiving department (16) Stores ledger account (17) Weighted average (18) Re-order level-(Normal consumption x Normal re-order period) (19) Bin card; stores ledger (20) Perpetual inventory system (21) ordering; carrying stock (22) Continuous (23) Quantity or Volume

(24) Material transfer note (26) Material Requisition Note (26) FIFO (27) Materials return note

Q.3: Match the following.

A]

COLUMN A	COLUMN B
a) ABC analysis	**1.** Purchase requisition note
b) Perpetual inventory	**2.** Selective control
c) Abnormal material losses	**3.** Stores requisition note
d) Master requisition	**4.** Costing P&L A/C
e) Issuing a material item to production	**5.** Continuous stock-taking
f) First step in purchase	**6.** Bill of material

Ans:- (A)-(2), (B)-(5), (C)-(4), (D)-(6), (E)-(3), (F)-(1)

B] Match the terms in Column A with statement in Column B

Column A (terms)	Column B (Statement)
A. Material	K. Maximum consumption x Maximum re-order period
B. Finished product	L. All the material required for a particular job listed by the production department
C. Purchase requisition	M. Consumed in the process of manufacture
D. The maximum stock level	N. Supplies do not become a part of
E. Economic order quantity	O. The first step in the purchase procedure
F. Material return note	P. Maintain material at the optimum level at of its requirement returned to stores
G. Bill of material	Q. Method of knowing the stock level of every, item of material at all times
H. Perpetual inventory system	R. Re-order level- (Normal Consumption x Normal re-order period)
I. Minimum stock level	S. Materials issued to a department in excess of its requirement returned to stores
J. Re-order levels	T. Above which the stock of that material should not generally be allowed to go.

Ans:- (A)-(3), (B)-(4), (C)-(5), (D)-(10), (E)-(6), (F)-(9), (G)-(2), (H)-(7), (I)-(8), (J)-(1)

Q.4: STATE WHETHER TRUE OR FALSE

1. Stores ledger is maintained in the stores department.**False**

2. Purchase requisition Note is prepared by the purchasing department.**False**

3. Perpetual inventory system enables management to ascertain stock at any time without the expense of physical stock-taking.**True**

4. Annual stock-taking confirms that the perpetual inventory is functioning properly. **False**

5. Weighted average method of pricing stores involves adding all the different prices and dividing by the number of such prices. **False**

6. Bin card shows the quantity and value of a material at any moment of time. **False**

7. Material losses due to careless handling resulting in breakage should be transferred to costing profit and loss a/c. **True**
8. Bill of Material is a cash memo sent by the supplier along with the materials.**False**
9. Bin cards are not a part of accounting records.**True**
10. Stores Requisition Note is not a perpetual inventory record.**True**
11. When maximum stock level is fixed, somewhere between maximum and minimum stock levels.**False**
12. Re-ordering level is always fixed somewhere between maximum and minimum stock levels.**True**
13. The economic order quantity is the re-order quantity. **True**
14. In FIFO method, closing stock is valued at oldest prices of materials. **False**
15. A list of all materials and parts required for a particular job is called production order. **False**
16. The bin card and stores ledger are written up with the same basic documents. **True**
17. ABC analysis is based on the principle of 'management by exception'. **True**
18. Purchase control is exercised by the store-keeper. **False**
19. Purchase requisition Note is prepared by the purchasing department. **False**
20. Purchase order is prepared by the stores department. **False**
21. Purchase order is an order to purchase department. **False**
22. Purchase order is an order to stores department to purchase materials. **False**
23. Material requisition note is prepared by the stores department. **False**
24. FIFO method of pricing results in higher profits during the period of falling prices. **False**
25. Weighted average method of pricing stores involves adding all the different prices and dividing by the number of such prices. **False**
26. Material losses due to fire should be transferred to Costing Profit and Loss A/c. **True**
27. Loss due to evaporation are charged to Costing Profit & Loss Account. **False**
28. Re-order level means the quantity to be ordered. **False**
29. Economic order quantity is that order size at which each of the Ordering Cost and Carrying Cost is minimum. **False**
30. Under the ABC analysis of material control 'A' stands for the highest number of items. **False**
31. The perpetual inventory system enables management to ascertain stock without physical verification. **True**
32. Bin card is the same as stores ledger. **False**
33. Bin card is maintained by Accounts departments. **False**
34. Perpetual inventory system and continuous stock taking are synonymous. **False**
35. Bin card shows the money value of material received issued and the balance at any point of time. **False**
36. Tender form is issued by the purchasing department. **True**
37. Purchase order is prepared by the purchasing department. **True**
38. Orders should automatically be placed with the supplier quoting the lower price. **False**
39. Lack of efficient material control system increases the material cost of the finished product. **True**
40. A bill of material gives a complete list of all materials required with quantities for a particular job. **True**

Ans:

(1) **False;** Stores ledger is maintained in the cost accounting department and not in the stores department.

(2) **False;** Purchase requisition note is prepared by the requisitioning department, e.g., stores department.

(3) **True;** Perpetual inventory system keeps the stock balance up to date.

(4) **False;** Annual stock-taking has nothing to do with perpetual inventory system, rather it is the continuous stock-taking that confirms the proper functioning of the perpetual inventory system.

(5) **False;** The weighted average method of pricing averages prices after weighting (i.e., multiplying) by their quantities.

(6) **False;** Bin card shows only the quantity of material and not its value.

(7) **True;** Breakage of materials due to careless handling is an abnormal loss.

(8) **False;** Bill of materials is a master requisition listing all the materials required for a given job.

(10) **True;** Perpetual inventory records are bin card and stores ledger.

(11) **False;** Under certain special circumstances, the maximum level may be exceeded.

(14) **False;** Closing stock is valued at the latest prices paid.

(15) **False;** It is known as Bill of materials.

3.Labour Cost

(A)Conceptual

1. In which of the following incentive plans of wage payment, wages on time basis are NOT guaranteed?
(a)Halsey plan
(b)Rowan plan
(c)**Taylor's differential piece rate system**
(d)Gantt's task and bonus system

2. Under the high wage plan, a worker is paid
(a) **at a time rate higher than the usual rate** (b)according to his efficiency
(c) at a double rate for overtime (d)normal wages plus bonus

3. Which of the following methods of wage payment is most suitable where quality and accuracy of work is of primary importance?
(a)Piece rate system (b)**Time rate system**
(c)Differential piece work system (d)Halsey premium system

4. Cost of idle time arising due to non-availability of raw materials is
(a) **charged to Costing profit and loss a/c**
(b) charged to factory overheads
(c) recovered by inflating the wage rate
(d)ignored

5. When overtime is required for meeting urgent orders, overtime premium should be
(a)Charged to Costing Profit and Loss A/c (b) **Charged to overhead cost**
(c)Charged to respective jobs (d) ignored

6. Wage sheet is prepared by
(a) time-keeping department (b)personnel department
(c) **payroll department** (d)cost accounting department

7. Time and motion study is conducted by the
(a) time-keeping department (b) personnel department
(c) payroll department (d)**engineering department**

8. Labour productivity is measured by comparing
(a)Actual time with standard time
(b)Total output with total man hours
(c)Added value for the product with total wage cost
(d)All of the above

9. Labour turnover is measured by
(a)Number of workers replaced average number of workers
(b)Number of workers left/number in the beginning plus number at the end

(c) Number of workers jointing/number in the beginning of the period.
(d)All of these

10. Labour turnover is
(a) Productivity of labour (b)Efficiency of the labour
(c) Change in labour force (d) Total cost of the labour

11. Time study is for
(a)Measurement of work **(b)Fixation of standard time**
(c)Ascertainment of actual hours (d)Ascertainment of labour cost

12. Idle time is
(a)time spent by workers in factory
(b)time spent by workers in office
(c)time spent by workers off their work
(d)time spent by workers on their job

13. Over time is
(a)actual hours being more than normal time
(b)actual hours being more than standard time
(c)standard hours being more than actual hours
(d)actual hours being less than standard time

14. Time keeping refers to
(a)time spent by workers on their job
(b) time spent by workers in the factory
(c) time spent by workers without work
(d) time spent by workers off their job

15. Time booking refers to
(a) time spent by worker on their job (b)time spent by workers in the factory
(c) time spent by workers without work (d)time spent by workers off their job

16. Difference between attendance time and job time is
(a)Standard Time (b)Overtime (c)Actual Time **(d)Idle time**

17. Piece workers are paid on the basis of
(a)Output sold **(b)Output produced**
(c)Output in stock (d)Input received

18. Time wages are paid on the basis of
(a)Actual time (b)Standard time (c)Time saved (d)Overtime

19. Differential piece wages means
(a) different wages for different level of performance
(b) different wages for different time consumed
(c) different wages for different types of workers

(d) different wages for different types of industries

20. For calculation of labour turnover under separation method
(a) only the number of employees left from the organization is considered
(b) only the number of employees replaced are considered
(c) only the number of employees retrenched are considered
(d)only the number of employees who are new to the organization is considered

21. The cost which is incurred to prevent the labour turnover
(a)Management Cost (b)Replacement Cost
(c)Preventive cost (d)Compensation Cost

22. Normal idle time
(a)can be avoided (b)can be minimized
(c) cannot be avoided (d)can be controlled

23. An employee is eligible for getting overtime wage if/she works for more than
(a)6 hours a day (b)8 hours a day
(c)9 hours a day (d)12 hours a day

24. Labour productivity cannot be measured by comparing
(a)actual time with standard time
(b)total output with total man hours
(c)added value for the product with total wage cost
(d)total wage and total output

25.Wage sheet is prepared by
(a)Time keeping department (b)Personnel department
(c)Payroll department (d)Cost accounting department

26.Time and motion study is conducted by
(a)Time keeping department (b)Personnel department
(c)Payroll department **(d)Engineering department**

27.Comparing Rowan plan and Halsey plan, it is seen that when the time saved is less than 50% of the standard time
(a)Rowan plan allows more wages to a worker than Halsey plan
(b)Rowan plan allows less wages to a worker than Halsey plan
(c)Rowan and Halsey plan allow equal wages to a worker
(d)Rowan plan and Halsey plan are equal to ordinary time wage

28.Halsey premium plan is
(a)Individual incentive scheme (b)Group incentive scheme
(c)Time and piece wage system (d)Differential piece wage system

29.Bonus under Rowan scheme is paid
(a)as a proportion of standard time to actual time

(b)as a proportion of actual time to standard time
(c)as a proportion of time saved to standard time
(d)as as proportion of standard time to time saved

30.Number of methods available for calculation of labour turnover is
(a)Two **(b)Three** (c)Four (d)Five

31.Merricks multiple piece rate system has
(a)Two rates **(b)Three rates** (c)Four rates (d)Five rates

32.How many rates are used to calculate wages under Taylor's differential piece rate system?
(a)Two **(b)Three** (c)Four (d)Five

33.When time saved is more than 40% of the standard time, Halsey plan allows
(a)more wages than Rowan plan (b)less wages than Rowan plan
(c)equal wages as compared to Rowan plan (d)None of the above

34.Wages under rowan and halsey plan are exactly when time saved is
(a)nil **(b)50% of the standard time**
(c)both (a) and (b) (d)None of the above

35.Under Gantts task and bonus plan no bonus is payable to a worker if his efficiency is less than
(a)50% (b)60% (c)83.5% **(d)100%**

36.Bonus under Halsey plan is paid
(a)at 50% of time saved (b)at 75% of time saved
(c)at 80% of time saved (d)at 90% of the time saved

37.Overtime premium is paid
(a)at normal rate (b)below the normal rate
(c)at 50% of the normal rate (d)at double normal rate

38.Under Emerson's efficiency System, no bonus is payable when efficiency is upto
(a)50% **(b)66 2/3%** (c)83 1/3% (d)100%

(B) Numerical
39. When standard output is 10 units per hour and actual output is 12 units per hour, the efficiency is
(a)80% (b)100% **(c)120%** (d)12%
40-41.Standard output is 100 units per per day of hours ,and the piece rates are 20 paise per unit and 15 paise per unit under Taylor's differential piece rate system .

40. what will be amount of wages if a worker produces 95 units in a day ?
(a)Rs.14.00 **(b) Rs.14.25** (c) Rs.18.50 (d) 19.00

41. what will be the amount of wages under Taylor's differential piece rate system. If a worker produces 101 units in a day ?
(a) 15.15 (b) 20.00 (c) 20.15 **(d) 20.20**

42. Standard time is 60 hours and guaranteed time rate is 30 paise per hour. what is the amount of wages if job is completed in 48 hours ?Rowan plan is in use .
(a)Rs.24.00 (b)Rs.26.00 **(c)Rs.28.80** (d)30.00

43. A worker has a time rate of Rs.15/hr. He makes 720 units of a components (standard time : 5 minutes /Unit) in a week of 48 hours .His total wages including Rowan bonus for the week is
(a) Rs.792 (b) Rs.820 (c)Rs. 840 **(d)Rs.864**

44. The standard time required per unit of a product is 20 minutes. In a day of 8 Working hours a worker gives an output of 30 Units .IF he gets a time rate of Rs.20/ hr., his total earning under Halsey bonus scheme was:
(a)Rs.200 (b) Rs.192 **(c) Rs.180** (d) Rs.160

45. In a company ,the hourly rate of wages guaranteed is 0.50 paise per hours. The standard time for producing 1 dozen articles is 3 hours. The actual time taken by the worker to produced 20 dozen articles is 48 hours .The earning of a worker under Rowan plan is:
(a) Rs.27 (b) Rs.28 **(c)Rs.28.80** (d) Rs.30

46. A firm employs 5 worker at an hourly rate of Rs.2.00. during the week ,they worked for four days for a total period of 40 hours each and completed the job for which the standard time was 48 hours for each worker .The labour cost under4 Halsey bonus plan is:
(a)Rs.440 (b)Rs.467 (c) Rs.480 (d)Rs. 420

47. A worker is allowed 10 hours to complete a job on daily wages .He takes 6 Hours to complete the job under a scheme of payment by results .His day rate is Rs.6 per hours and piece rate is Rs.36. The material cost of the product is Rs. 40 and overheads are charged at 150% of the total direct wages the factory the cost of the product under Rowan plan is :
(a)Rs.130 **(b) 166** (c) 160 (d)170

Hints:
43. (48 x 15) +(12÷60 x 48 x 15) = 864
44.(8 x 20) + (2 x 20 x 50÷100) = 180
45.(48 x 0.50) + (12÷ 60 x 48 x 0.50) = 28.80
46. (200 x 2) + (50 ÷ 100 x 40 x 2) = 440
47. i] wages : (6 x 6) + 4 ÷10 x 6 x 6)= 50.40,
ii] Factory cost = 40 +50.40 +150% of 50.40 = 166

Q. 2) FILL IN THE BLANKS
1. '_____'means keeping a record of the attendance of the workers and the time spent by them in actual work, idle time , overtime ,etc.

2. '_____' means the recording of the spent by a worker on different jobs during his attendance at the factory.
3. The booking is basically performed by preparing a _____card.
4. '_____' Card is a record of the work done by a worker, indicating the jobs done by him and the time spent against each job .
5. If the Overtime is _____(normal /abnormal),it debited to costing Profit & Loss Account.
6. '_____' is the time spent beyond the normal working hours which is usually paid at a higher rate than the normal time rate.
7._____ time is the difference between the time for which the employees are paid and the employees' time booked against the cost object.
8. Labour efficiency (%) =(Time allowed as per standard /time _____) x 100.
9.Time rate system _____(is /is not) suitable in case of quality control .
10.Piece rate system _____ (is/ is not)suitable if the output depends on team work.
11. Under _____ (Time /Piece) rate system ,worker assured of a steady and regular income.
12._____(Time/Piece) rate System treats both efficient ans inefficient workers equally.

Ans:- 1] Time keeping 2] time booking 3] Job 4] Job 5] Abnormal 6] Overtime 7] Idle 8] taken 9] is 10] is not 11] Time 12] time

Q. 3) MATCH THE FOLLOWING COLUMNS .

Match the terms in A with the statement in B

COLUMN A (terms)	**COLUMN B (statement)**
1. High wage plan 2. Measured day work 3. Different time rate 4. Taylor's differential piece work system 5. Gantt task and Bonus system 6. Emerson's efficiency system 7. Points scheme or Bedeaux system 8. Hayne's system 9. Accelerated premium system 10. Halsey system 11. Halsey weir system	a] Bonus equal to 30 percent of the wages of time saved . b] A worker is paid a wage rate which is much higher than the rate prevailing in the area or in the industry. In return he is expected to maintain a very high level of performance . c] Bonus equal to 50 percent of the wages of time saved . d]Worker are paid bonus @ 75% of the time saved . e] In the case of repetitive work the time saved is shared between the worker and the foreman in the ratio 5:1. f]The hourly rate of the time worker is made up of two parts viz, fixed and variable. g] Minimum time wages are guaranteed .But beyond a certain efficiency level, Bonus in addition to minimum day wages is given. h] Rewarding efficient worker by providing increased piece rate beyond certain level of output. i] Combination of time and piece work system . j] Earning increase in greater proportion than the increase in production . k] Different hourly rates are fixed for different level of efficient .

Ans:- 1- b , 2-f , 3-k , 4-h , 5-I , 6-g , 7-d , 8- e , 9- i , 10-c , 11-a

Q.4) STATE WHETHER TRUE OR FALSE.

1.Payroll department gathers and records each worker's time of arrival and departure for the purpose of attendance . **False**

2. Metal disc method of time –keeping can be profitably used in very large undertaking . **False**

3. In Taylor's differential piece Rate plan ,time wages are guaranteed to each worker. **False**

4. Overtime wages are to be paid at double the normal wage rate. **True**

5. Rowan incentive plan distributes the benefit of the saved equally between employees and employer. **False**

6. When wages are paid on piece basis , the quality of work deteriorates. **True**

7. All overtime is not unusual. **True**

8. Cost of idle time due to labour strike should be treated as a factory overheads. **False**

9. Wages of a crane operator in a factory are direct wages. **False**

10. Out-workers are those who are appointed on a temporary basis. **False**

11. When Time-Cum-job card is maintained , there may be no need of keeping a separates Time clock card. **True**

12. Job evaluation is the comparative appraisal of workers on different jobs. **False**

13. Idle time is the difference between time clocked and time booked. **True**

14. Time booking is the done by the time-keeper at the factory gate. **False**

15. Time booking is not necessary in the case of piece worker. **False**

16. Direct wage is the fixed cost. **False**

17. In Halsey premium plan , time wages are guaranteed . **True**

18. In Emerson's efficiency System Bonus is paid only when efficiency is 100%. **False**

19. Merrick's Differential price Rate System is less punitive than Taylor's system . **True**

20. Labour rate is inflated to cover the cost of abnormal idle time. **False**

21. under the Rowan plan , bonus is a fixed percentage. **False**

22.When the time saved is 50% of the standard time. Both the Rowan and halsey plan pay the same amount of bonus. **True**

23. The purpose of work measurement is to determine the standard time for doing a task. **True**

24. Clock Card is a useful time booking record. **False**

25. Casual worker are usually indirect works. **True**

26. Labour productivity automatically increases when production increase. **False**

27. Cost of normal idle time may be treated as production overheads. **True**

28. Overtime premium is always treated as factory overheads. **False**

29.The cost of paid leave to workers is transferred to costing profit & Loss Account. **False**

30. The amount of minimum bonus payable to direct workers should be included in the direct labour cost and that payable to indirect worker should be charged to overheads. **True**

31. Idle time arises when workers are paid on time basis or piece basis.**False**

Ans:-

1.FALSE: payroll department determines the gross and net amount of earning of each worker.

2. FALSE: Metal disc method can be profitability used only in small And medium size concerns .

3. FALSE: Taylor's plan does not guarantee time wages but pays only on the basis of efficiency of workers.
4. TRUE: This is according to Factories Act
5. False: Workers bonus is equal to : Time wages x Time saved
7. TRUE: overtime due to pressure of work or during the seasons in quite usual .
8. FALSE: It should be transferred to costing P & L A/C .
9. FALSE: It is indirect wages as crane helps production only in a general way.
10. FALSE: Out –worker are those who go out of the factory to work.
11.TRUE : Time –Cum - Job card shows the attendance records aas well as effective time work of each
12. Job evaluation is a comparative appraisal of jobs and not of workers .
14. FALSE: Time booking is done by the supervisor in department .
15.FALSE: In addition to calculation of wages of individual workers , time booking is useful in other costing areas .
16. FALSE: Direct wages is a variable cost
18. FALSE: Bonus is payable at efficiency of 66 2/3%.
19. TRUE: Merrick's system has three piece rates and none of the rates is fixed below the normal .
20. FALSE: Cost of abnormal idle time is transferred to costing profit and loss Account .
21. False: Bonus percentages varies according to the time saved .
24. FALSE : Clock card is a time- keeping records.
26. FALSE: Increase in production may or may not be accompanied by increase in labour productivity.
28. FALSE: Treatment of overtime premium depend upon the purpose of overtime.
29. FALSE: Wages for leave period is treated as indirect labour cost and charged to factory overheads.
31. FALSE: Idle time arise only in case of workers paid on the time basis.

4. Overheads

Q.1: Multiple Choice Questions

1. The allotment whole items of cost to cost centres or cost units is called
(a) Cost allocation (b) Cost apportionment
(c) Overhead absorption (d) None of the above

2. Packaging cost is a
(a) Production cost (b) Selling Cost
(c) Distribution cost **(d) It may be any of the above**

3. Directors' remuneration and expenses from a part of
(a) Production overhead **(b) Administration overhead**
(c) Selling overhead (d) Distribution overhead

4. Salary of a foreman should be classified as a
(a) Fixed overhead (b) Variable overhead
(c) Semi-fixed or semi-variable overhead

5. Charging to a cost centre those overheads that result solely from the existence of that cost centre is known as
(a) Allocation (b) Apportionment (c) Absorption (d) Allotment

6. Absorption means
(a) Charging of overheads to cost centre
(b) Charging of overheads to cost units
(c) Charging of overheads to cost centres or cost unit

7. Which method of absorption of factory overheads do you suggest in concern which produces only one uniform item of product?
(a) Percentage of direct wages basis (b) Direct labour hour rate
(c)Machine hour rate **(d) A rate per unit of output**

8. When the amount of under or over-absorption is significant, it should be disposed of by
(a) Transferring to Costing profit and loss A/c
(b) The use of supplementary rates
(c) Carrying over as a deffered charge to the next accounting year
(d) None of the above

9. When the amount of overhead absorbed is less than the amount of overhead incurred, it is called
(a) Under-absorption of overhead (b) Over-absorption of overhead
(c)Proper absorption of overhead

10. Bad debts is an example of
(a) Production overhead (b) Administration overhead
(c) Selling overhead (d) Distribution overhead
11. Number of workers employed is used as a basis for this apportionment of
(a) Time office costs (b) Canteen expenses
(c) Personnel department expenses **(d) Any of these**

12. Which of the following is a scientific and accurate method of absorption of factory overheads
(a) Percentage on prime cost (b) Selling overhead
(c) Distribution overhead (d) None of these

13. Warehouse expenses is an example of
(a) Production overhead (b) Selling overhead
(c) Distribution overhead (d) None of the above

14. selling and distribution overheads are absorbed on the basis of
(a) Rate per unit (b) Percentage on work cost
(c) percentage on selling price of each unit **(d) any of these**

15. The least suitable basis for applying overheads is

(a) material consumed (b) direct labour cost
(c) direct labour hours (d) machine hours

16. which of the following is referred to as primary distribution of overheads –
(a) reapportioning service dept. overheads to other production dept.
(b) reapportioning production dept. overheads to other production dept.
(c) apportioning and allocating overheads to all department on a suitable basis.
(d) reapportioning service dept. overheads to production dept.

17.Expenses such as rent and depreciation of a building shared by several department are .
(a) Indirect expenses (b) direct expenses
(c) joint expenses (d) all of the above

18. Overheads expenses can be classified according to
(a) functions (b) Elements
(c) Behaviour **(d) all of the above**

19. The term cost allocation is described as
(a) The costs that can be identified with specific cost centres
(b) The costs that cannot be identified with specific cost centres
(c) The total cost of factory overheads needed to be distributed among specific cost centres
(d) None of the given option

20. The distribution of overheads allotted to a particular department or cost centres over the units produced is called
(a) Allocation (b) Apportionment **(c) absorption** (d) departmentalization

21.If an item of overhead expenditure is charged specifically to a single department this would be an example of
(a) Apportionment **(b) allocation**
(c) re-apportionment (d) absorption

22. Which of the following does not match ?

Item cost	**Basis of cost allocation**
(a) Power	H.P of machine
(b) Supervision of building	**Value of material consumed**
(c) Insurance of building	Area occupied
(d) Time-keeping	Number of employees

23. Which of the following costs is not a factory overheads expense ?
(a) Depreciation of equipment used in the research department
(b) Salary of quality control inspector
(c) Overtime premium paid to direct labour
(d) Machine maintenance cost

24. which of the following bases would de most appropriate to apportion the costs of electric power to factory department ?

(a) Number of outlet points
(b) amount metered out
(c) Cubic capacity of premises
(d) kilowatt capacity of machine in department

25. Which of the following is not a means whereby factory overheads can be charged out to production ?
(a) Direct labour rate **(b) Overtime rate**
(c) machine hour rate (d) Blanket rate

26. Which of the following bases is not appropriate for apportionment of Transport departments cost ?
(a) Crane hours **(b) crane value** (c) truck mileage (d) truck value

27. A typical factory overhead cost is
(a) Distribution (b) Internal audit
(c) compensation of plant manger (d) Design

28. In which of the following centres factory Oh cost is NOT incurred ?
(a) Production center (b) service center
(c) General cost center **(d) Head office**

29. which of the following cannot be used as a base for the determination of overheads absorption rate ?
(a) Number of units produced (b) Prime cost
(c) conversion cost **(d) Discount allowed**

30. Production OH absorption rate is calculated by the way of
(a) estimated production OH cost/direct labour hours.
(b) Estimated production OH cost/no of units produced
(c) Estimatd production OH cost /prime cost
(d) **All of the given option**

31. If an item of overhead expenditure was not charged specifically to a single department this would be an example of
(a) **Apportionment** (b) Allocation (c) Re-apportionment (d) Absorption

32. Which of the following is TRUE regarding the use of blanket rate?
(a) **The use of a single blanket rate makes the apportionment of overhead costs unnecessary**
(b) The use of a single blanket rate makes the apportionment of overhead costs necessary
(c) The use of a single blanket rate makes the apportionment of overhead costs uniform
(d) None of the given options

33. Functionally, administration expenses may comprise expenses of the following activities
(a) Secretarial and board of directors (b) Accounting, financing, tax and legal

(c) Audit and personnel **(d) All of these**

34. Which of the following is not an example of marketing overheads?
(a) **Salary of the foreman** (b) publicity expenses
(c) Salaries of sales staff (d) Secondary packing charges

35. Analysis of selling and distribution overheads is done by
(a) Nature of expenses and functions
(b) Areas, products and salesmen
(c) Types of customer and channels of distribution
(d) **All of the above**

36. Selling and distribution overhead does not include
(a) Cost of warehousing (b) Repacking cost
(c) Transportation cost **(d) Demurrage charges**

B] Numerical

37. A business always absorbs its overheads on labour hours. In the current month, 18,000 hours were worked, actual overheads were Rs. 2,79,000 and there was Rs. 36,000 over-absorption. The overhead absorption rate per hour was
(a) Rs. 15.50 **(b) Rs. 17.50** (c) Rs. 18.00 (d) Rs. 13.50

38. B Ltd. Estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of Rs. 6.40 per machine hour in its machining department. During the year overhead expenditure amounted to Rs. 4,72,560 and 72,560 and 72,600 machine hours were used. Which one of the following statements is correct?
(a) **Overhead was under-absorbed by Rs. 7,440**
(b) Overhead was under-absorbed by Rs. 7,920
(c) Overhead was over-absorbed by Rs. 7,440
(d) Overhead was under-absorbed by Rs. 7,920

39. J Limited's budgeted overhead in the last period was Rs. 1,70,000. Its overhead absorbed and incurred for the same period were Rs. 1,80,000 and Rs. 1,95,000 respectively. What is its amount of over-or under-absorption of overhead?
(a) **Under-absorption of Rs. 15,000** (b) Under-absorption of Rs. 25,000
(c) Over-absorption of Rs. 15,000 (d) Over-absorption of Rs. 25,000

Q.2] MATCH THE FOLLOWING COLUMNS

A]

COLUMN A	COLUMN B
A. Advertisement	**1.** Value of goods in transit
B. Credit and collection	**2.** Floor area occupied
C. Warehouse rent	**3.** A percentage of cash collection
D. Royalties	**4.** No. of orders
E. Bad debts	**5.** Sales value
F. Transit insurance	**6.** Direct allocation

Ans:- A-5; B – 4; C- 2; D- 6; E- 3; F- 1

B]

COLUMN A	COLUMN B
A. Canteen	**1.** Value of stock
B. Electric lighting	**2.** Assets value
C. Fire prevention in stores	**3.** No. of employees
D. Rent, rates, etc.	**4.** No. of requisition handled
E. E .Plant depreciation	**5.** Technical estimate
F. Power	**6.** Total wages
G. Accident insurance	**7.** No. of light points
H. H. Storage costs	**8.** Area

Ans:- A- 3; B- 7; C- 1; D-8; E-2; F- 5; G-8; H-4

Q.3) STATE WHETHER TRUE OR FALSE

1. Factory overhead includes all production costs other than direct materials and salaries. **False**

2. Departments that assist producing departments indirectly are called service departments. **True**

3. Factory overhead cost applied to a job is usually based on a pre-determined rate. **True**

4. Variable overhead vary with time. **False**

5. When actual overheads are more than absorbed overheads, it is known as over-absorption. **False**

6. Carriage inwards is not really an overhead at all, but is a direct cost.**True**

7. Cash discounts are generally excluded completely from the costs. **True**

8. Cost of inwards is not really an overhead at all, but is a direct cost. **False**

9. When the amount of over-or under-absorbed is quite large, it is transferred to Costing profit and Loss Account. **False**

10. A blanket overhead rate is a single overhead rate computed for the entire factory. **True**

11. Wages of delivery van drivers is a selling overhead. **False**

12. Under-absorption of overheads means that actual overheads are more than absorbed overhead. **True**

13. Rent is not included in cost when premises are owned by the company. **False**

14. Where direct labour rates vary widely, direct labour cost would be more suitable than direct labour hours in applying factory overheads. **True**

15. Examples of factory overhead are salary of plant manager and departmental heads, depreciation and wages of foreman. **True**

16. The principle based used for applying factory overhead are; units of production, material cost, direct wages, direct labour hours and machine hours. **True**

17. The application of predetermined overhead rates is a reason for the difference in costing and financial profit or loss. **True**

18. Allocation of overhead implies the identification of overhead cost centres to which they relate. **True**

19. Apportionment of overhead is the allotment of whole items of cost to cost centres or cost units. **False**

20. Overhead absorption is the allotment of overhead to cost units. **True**

21. The word 'allocation' 'apportionment' 'allotment' have exactly the same meaning in costing. **False**

22. It is better to use blanket rate for overhead absorption where several products passing through a number of different producing departments are manufactured. **False**

23. The use of actual overhead absorption rates results in delay in determining cost of products. **True**

24. Blanket rate of overhead absorption may be suitably applied in small firms which are manufacturing a single product. **True**

25. Direct labour cost method of absorption of factory overhead is suitable only in those departments where work is done by manual labour. **False**

26. Rate per unit of production is the easiest and most suitable of all the method of absorption. **False**

27. Percentage on direct materials method of absorption of factory overhead can be suitably used only where one kind of article is produced and material prices remain more or less constant. **True**

28. Machine hour rate is separately computed for each machine. **True**

29. Machine hour methods absorbing overhead can be adopted only for those department in which work is mainly done by machines. **True**

30. Administration overhead results in under-statement of cost. **False**

31. Under-absorption of overhead results in under-statement of cost. **True**

32. Where normal business cycle extends over more than one year the amount of under or over-absorbed overheads may be carried forward to be charged to the next accounting year. **True**

33. When the amount of under or over-absorbed overheads is significant, it is equitably apportioned to work in progress, finished stock and cost of sales. **True**

34. Packing cost is a distribution cost. **False**

1. False; Factory overhead includes all items other than direct materials, direct wages and direct expenses.
4. False; Variable overheads vary with production.
5. False; When actual overheads are less than absorbed overheads, it is known as over-absorption.
6. True; It is a direct cost in the sense that it is added to the purchase price of materials.
7. True; Cash Discount is a form of interest and as such is a financial item.
8. False; Cost of indirect materials is allocated and not apportioned.
9. False; It is disposed of by the use of supplementary rates.
10. True; It is calculated by factory overheads dividend by total units of base throughout the factory.
11. False; It is a distribution overhead and not a selling overhead.
12. True: When actual overheads are more than absorbed overheads or, in other words, when overheads absorbed are less than actual amount of overheads, it is known as under-absorption.
13. False; When premises are owned by the company, a charge in lieu of rent is made in cost accounts.
14. False; When labour rates vary widely, direct labour hours may be more suitable than direct cost as a basis of absorption.

17. True; This is because overhead applied at predetermined rate will be different from that of actual amount of overhead.
19. False; Apportionment is the allotment of the proportions of items to cost centres or cost units.
21. False; In the terminology of costing, these terms have different meanings.
22. False; In such a case it is better to use in multiple rates.
25. False; This method is suitably used in any departments.
26. False; This method is suitable only in certain industries like mining, brick laying, shoe industries etc.
30. False; Administration overheads are usually absorbed as a percentage of works cost.
34. False; Packing cost may be a manufacturing cost, selling cost or distribution cost, depending upon the purpose of packing.

5. Classification of Costs and Cost Sheets

Q.1. A] Multiple choice Questions
a) Conceptual

1. Form of specific order costing where work is undertaken to customer's special requirements and each order is comparatively of short duration.
(a) Job Order Costing (b) Batch Costing
(c) Contract Costing (d) Process Costing

2. Form of specific order costing which consists of a group of similar articles which maintain its identity throughout one or more stages of production.
(a) Job Order Costing **(b) Batch Costing**
© Contract Costing (d) Process Costing

3. Which of the following items is not included in preparation of a cost sheet?
(a) Carriage inward (b) Purchase returns
(c) Sales commission **(d) Interest paid**

4. Which of the following items is not excluded while preparing a cost sheet?
(a) Goodwill written off (b) Provision for taxation
(c) Property tax on Factory Building (d) Transfer to reserves

5. Which of the following are direct expenses?
(i) The cost of special designs, drawing or layouts
(ii) The hire of tools or equipment for a particular job
(iii) Salesman's wages
(iv) Rent, rates and insurance of a factory
(a) (i) and (ii) (b) (i) and (iii)
(c) (i) and (iv) (d) (iii) and (iv)

6. A company has to play Rs. 10,000 per unit royalty to the designer of a product which it manufactures and sells. The royalty charge would be classified as a
(a) Direct expense (b) Production overhead
(c) Administrative overhead (d) Selling overhead

7. Wherever part of the manufacturing operation is subcontracted, the subcontract charges related to materials shall be
(a) ignored (b) treated as cost of materials
(c) treated as works overheads **(d) treated as direct expenses**

8. Research and development cost relating to an existing product
(a) shall be treated as Capital Expenditure
(b) shall be treated as deferred revenue expenditure
(c) shall be treated as Direct Expenses
(d)shall be ignored

9. Which of the following are prime costs?
(i) Direct materials (ii) Direct labour
(iii) Indirect labour (iv) Indirect expenses
(a) (i) and (ii) (b) (i) and (iii)
(c) (ii) and (iii) (d) (ii) and (iv)

10. What is prime cost?
(a) Total direct costs only (b) Total indirect costs only
(c) Total non-production costs (d) Total production costs

11. Which of the following costs are parts of the prime cost for a manufacturing company?
(a) Cost of transporting raw materials from the supplier's premises
(b) Wages of factory workers engaged in machine maintenance
(c) Depreciation of lorries used for deliveries to customers
(d) Cost of indirect production materials

12. Prime cost is
(a) all costs incurred in manufacturing a product
(b) the total of direct costs
(c) the material cost of a product
(d) the cost of operating a department

13. Which of the following is not a component of prime cost?
(a) Direct materials (b) Direct labour
(c) Direct expenses **(d) Overhead**

14. The term "prime cost" refers to
(a) all manufacturing costs incurred to produce units of output
(b) all manufacturing costs other than direct labour and
(c) raw material purchased and direct labor costs
(d) the raw material used and direct labor costs

15. Overheads consist of all the following except
(a) Indirect materials (b) Factory utilities
(c) Direct labor (d) Indirect labor

16. Recruitment costs
(a) shall form part of Prime Cost (b) shall form part of Works Cost
(c) shall form part of Overheads (d) shall be ignored

17. Cost of goods manufactured will include opening and closing stock for
(a) raw materials and work in progress only
(b) work in progress only
(c) raw materials only
(d) raw materials, work in progress, and finished goods

18. In the cost sheet, income from sale of empty containers used for dispatch of the goods produced shall be
(a) added to cost of production
(b)deducted from cost of production
(c) added to sales
(d) ignored

19. In the cost sheet, abnormal costs e.g. due to accident shall be
(a) added to cost of production (b) deducted from
(c) deducted from sales **(d) ignored**

20. Direct materials + Direct labour + Direct expenses = _____
(a) works cost (b) cost of production
(c) Cost of sales **(d) Prime cost**

21. Prime cost + Factory overhead + Administration overhead = _____
(a) Works cost **(b) Cost of production**
(c) Prime Cost (d) Cost of sales

22. Prime cost + Factory overhead = _____
(a) Fixed Cost **(b) Works cost**
(c) Cost of production (d) Cost of goods sold

23. Total cost – Selling and Distribution overheads = _____
(a) Cost of goods sold (b) Closing stock
(c) Cost of production (d) Net profit

24. Cost of production – Administration overheads = _____
(a) Prime Cost (b) Cost of sales
(c) Works cost (d) Work-in-progress

25. Prime cost + Overheads = _____
(a) Works cost **(b) Total cost**
(c) Cost of sales (d) Cost of production

26. Total cost + Profit = _____
(a) Selling price (b) Cost of goods sold
(c) Selling and distribution overheads (d) Gross profit

B Numerical

27. From the following details, compute **cost of goods manufactured:** Cost of goods sold Rs. 2,00,000; Opening stock of finished goods Rs. 50,000; Closing stock of finished goods Rs. 1,00,000 and Closing stock of work-in-progress Rs. 10,000.
(a) Rs.2,00,000 **(b) Rs. 2,50,000**
(c) Rs. 2,40,000 (d) Rs. 3,00,000

28. The opening stock of finished goods is Rs. 50,000; closing stock of finished goods is Rs.1,00,000 and the cost of goods manufactured is Rs. 2,00,000. What is **cost of goods sold**?

(a) Rs. 2,00,000 (b) Rs. 2,50,000
(c) Rs. 1,00,000 **(d) Rs. 1,50,000**

29. Vinayaka Ltd. Furnishes the following information for a period, pertaining to its product "T":

Cost of production (for 11,000 units) Rs. 44,000
Selling expenses (per unit) Rs. 0.40
Sales (for 9,000 units) Rs. 54,000

The **profit per unit** of the product was

(a) Rs. 1.15 (b) Rs. 1.20
(c) Rs. 2.60 **(d) Rs. 1.60**

30. For product A of Shilpa Ltd., the prime cost is Rs. 20 per unit, factory overheads are 20% of prime cost and administration overheads are 25% of works cost. If the company desires to earn a profit of 25% on selling price, the selling price per unit of product A would be

(a) Rs. 40 (b) Rs. 33
(c) Rs. 90 (d) Rs. 30

31. M & Co. used in a particular year Rs. 3,00,000 of direct materials. The year-end direct material inventory was Rs. 50,000 more than it was at the beginning of the year. Calculate **direct material purchases.**

(a) Rs. 3,00,000 (b) Rs. 2,50,000
(c) Rs. 3,50,000 (d) Rs. 4,00,000

32. Consider the following:

Raw material used Rs. 1,40,000
Direct labour Rs. 5,00,000
Total manufacturing overhead Rs. 6,00,000
Beginning work-in-progress Rs. 15,000
Cost of goods sold Rs. 12,05,000

What is the value of the closing work-in-progress?

(a) Rs. 65,000 (b) Rs. 35,000
(c) Rs. 50,000 (d) Rs. 70,000

33. R Company manufactures desks. The beginning balance of Raw Material Inventory was Rs. 4,500; raw material purchases of Rs. 29,600 were made during the month. At month end, Rs. 7,700 of raw material was on hand. Raw material used during the month was

(a) Rs. 26,400 (b) Rs. 34,100
(c) Rs. 37,300 (d) Rs. 29,600

34. M company manufactures tables. If raw material used was Rs. 80,000 and Raw Material Inventory at the beginning and end of the period, respectively, was Rs. 17,000 and Rs. 21,000, what was the amount of raw material purchased?

(a) Rs. 76,000 (b) Rs. 1,18,000
(c) Rs. 84,000 (d) Rs. 1,01,000

35. T Company manufactures computer stands. What is the opening stock of Finished Goods if Cost of Goods sold is Rs. 1,07,000; the ending balance of Finished Goods Inventory is Rs. 20,000; and Cost of Goods Manufactured is Rs. 50,000 less than Cost of Goods sold?
(a) Rs. 70,000 (b) Rs. 77,000
(c) Rs. 1,57,000 (d) Rs. 1,27,000

Q.2] FILL IN THE BLANKS

1) The variable production overheads shall be absorbed in production cost based on _____ (actual/normal) capacity.
2) Any demurrage charges levied by transport _____ (shall/shall not) form part of the cost of materials.
3) Subsidy receivable with respect to any material shall be _____ (added to/ reduced from) cost of materials.
4) Cost of primary packing materials _____ (shall/shall not) form part of the cost of production.
5) Cost of secondary packing materials shall form part of _____ (works/distribution) overheads.
6) Material Cost _____ (includes/excludes) cost of procurement, freight inwards, taxes & duties, insurance etc. directly attributable to the acquisition.
7) Trade discounts, rabates, dutydrawbacks, refunds on account of modvat, cenvat, sales tax and other similar items are _____ (added/deducted) in determining the costs of material.
8) Labour cost _____ (includes/excludes) salaries and wages paid to temporary employees.
9) Labour cost _____ (includes/excludes) salaries and wages paid to temporary employees of the contractor.
10) Production 15,000 units, Closing Stock of finished Goods 8,000 units. Opening Stock 3,000 units, Cost of Sales @ Rs. 15 per unit, profit @ 25% on sales. Sales amount to Rs. _____
11) Sales Rs. 2,40,000, Opening Stock 200 units, and Closing Stock 2,200 units, Selling Price Rs. 30 per unit. The number of units produced _____.
12) Prime Cost Rs. 4,77,000, Direct Labour Cost Rs. 2,90,000, Direct Expenses Rs. 7,000; Cost of Raw-materials consumed is Rs. _____.
13) Prime Cost Rs. 72,000, Direct Material Cost Rs. 45,000, Direct Expenses Rs. 12,000. Direct Labour Cost is Rs. _____.
14) Work Cost Rs. 80,000, Factory Overheads Rs. 8,000. Prime Cost is Rs. ____
15) Direct Labour Cost Rs. 17,500 being 175% of works overheads. Factory overheads are Rs. _____.
16) Cost of Goods produced Rs. 2,00,000, Office & Administrative Overheads 25% of Works Cost. Works Cost is Rs. _____.
17) Works Cost Rs. 1,00,000 being 25% of Work Cost. Cost of goods produced is Rs. _____
18) Office & Adm. Overheads Rs. 1,00,000 being 25% of Work Cost. Cost of goods produced is Rs._____.
19) Sales Rs. 1,20,000 Profit 20% on Sales. Costs of Sales are Rs. _____.

20) Sales Rs.1,20,000 Profit 20% on cost. Cost of Sales are Rs. _____.
21) Cost of Sales Rs. 1,20,000, Profit 20% on Sales. Profit is Rs. _____.
22) Sales Rs. 1,20,000, Profit 20% on cost. Profit is Rs. _____.
23) Cost of Sales Rs. 1,20,000, Profit 20% on Sales. Sales amount to Rs. _____.
24) Profit @ 20% on Cost amounted to Rs. 20,000. Sales amount to Rs. _____.

Answers: [1] actual [2] shall not [3] reduced from [4] shall [5] distribution [6] includes [7] deducted [8] includes [9] includes [10] 2,00,000 [11] 10,000 [[12] 1,80,000 [13] 15,000 [14] 72,000 [15] 10,000 [16] 1,60,000 [17] 1,25,000 [18] 5,00,000 [19] 96,000 [20] 1,00,000 [21] 30,000 [22] 20,000 [23] 1,50,000 [24] 1,20,000

MATCH THE FOLLOWING
A]

COLUMN A (Method)	COLUMN B (Applicable)
1. Job costing 2. Batch Costing 3. Contract Costing 4. Single or Output Costing 5. Process Costing 6. Operating Costing 7. Multiple Costing	a. Where Job is large and executed on site (not in-house) b. Ascertainment of Costs in cases where services are rendered c. The cost of production at each stage is ascertained separately d. Where all costs can be directly charged to a specific job e. Combination of two or more methods of costing f. Where all costs can be directly charged to a group of products g. Cost ascertainment for a single product

Ans:- [1-d], [2-f], [3-a], [4-g], [5-c], [6-b], [7-e]
B]

COLUMN A (Industry)	COLUMN B (Costing Method)
1. Transport 2. Steel 3. Coal 4. Toy-making 5. T.v. 6. Advertising 7. Bridge Construction	a. Unit Costing b. Job Costing c. Multiple Costing d. Operating Costing e. Contract Costing f. Process Costing g. Batch Costing

Ans:- [1-d], [2-f], [3-a], [4-g], [5-c], [6-b], [7-e]
C]

COLUMN A (Industry)	COLUMN B (Costing Method)
1. Automobile 2. Cement 3. Petroleum 4. Gas	a. Kilometres b. Cubic Metres c. Tonnes d. Numbers

5. Electricity	e. Litres
6. Transport	f. Sacks
7. Flour	g. Kilowatts

Ans:- [1-d], [2-c], [3-e], [4-b], [5-g], [6-a], [7-f]

D]

COLUMN A (Industry)	COLUMN B (Costing Method)
1. Liquor	a. Pairs
2. Bricks	b. Barrels
3. Colth	c. Ream
4. Carpets	d. Bales
5. Pencils	e. Square feet
6. Cotton	f. Metres
7. Timber	g. 1,000 No.
8. Shoes	h. Cubic feet
9. Paper	i. Gross

Ans:- [1-b], [2-g], [3-f], [4-e], [5-i], [6-d], [7-h], [8-a], [9-c]

E]

COLUMN A	COLUMN B
1. Temporary labor employed to increase production	a. Administration overheads
2. Uniforms of sanitary workers	b. Costing Profit & Loss items
3. Salary of the accountant	c. Distribution overheads
4. Consultation fee of advertisement designer	d. Prime Cost
5. Rent of godown for storing finished goods	e. Selling overheads
6. Loss due to accidental falling of the roof of a section of the factory	f. Factory overheads

Ans:- [1-d], [2-f], [3-a], [4-e], [5-c], [6-b]

F]

COLUMN A	COLUMN B
1. Freight on purchase of raw material	a. Selling overheads
2. Raw Material, Godown, Chowkidar salary	b. Prime cost
3. Remuneration for legal advice	c. Factory overheads
4. Secondary packing with the name of the company	d. Costing Profit & Loss items
5. Packing of boxes of finished product in wooden crates for transportation	e. Administration overheads
6. Dividents received on investments	f. Distribution overheads

Ans:- [1-b], [2-c], [3-e], [4-a], [5-f], [6-d]

G]

COLUMN A	COLUMN B
1. Income from sale of bags in which raw materials were procured	a. Prime Cost
2. Rent of godown for storing raw materials	b. Selling overheads
3. Primary packing to keep the product crisp	c. Factory overheads
4. Bad debts	d. Costing Profit & Loss items
5. Cost of stolen materials	e. Administration overheads

Ans:- [1-a], [2-c], [3-e], [4-b], [5-d]

H]

COLUMN A	COLUMN B
1. Carriage inward 2. Depreciation of patterns and dies 3. Amount paid to lawyer for appearing before a labour Tribunal 4. Commission paid to salesman as a percentage of sale price 5. Allowance made to customers for late deliveries	a. Costing Profit & Loss items b. Prime cost c. Selling overheads d. Factory overheads e. Administration overheads

Ans:- [1-b], [2-d], [3-e], [4-c], [5-a]

I]

COLUMN A	COLUMN B
1. Abnormal Loss of Raw-materials 2. Abnormal Loss of Finished Output 3. Scrap value of Abnormal Loss of Raw-materials 4. Cost of rectification on Normal defective output 5. Cost of rectification of Abnormal defective output 6. Cost of Normal Idle Time in factory 7. Royalty on units produced 8. Royalty on units sold 9. Insurance of raw-material 10. Special Moulds for casting taken on hire	a. Not shown in cost sheet but credited to Profit & Loss Account b. Treated as Direct Expense c. Not shown in cost sheet but debited to Profit & Loss Account d. Deducted from the cost of material purchased e. Treated as Direct expenses f. Treated as part of Selling & Distribution Expenses g. Added to the Cost of Materials purchased h. Added to Factory Cost i. Deducted from the cost of goods produced j Treated as part of factory expenses

Ans:- [1-d], [2-i], [3-a], [4-h], [5-c], [6-j], [7-b], [8-f], [9-g], [10-e]

J]

COLUMN A	COLUMN B
1. Scrap value of Normal Loss of Raw-materials 2. Scrap value of Normal Loss of Finished Output 3. Cash Discount Received 4. Cost Discount Received 5. Hire of Special Tools 6. Drawing Office Expenses 7. Secondary Packing Materials 8. Estimating Expenses of Tender	a. Not shown in cost sheet but debited to Profit & Loss Account b. Treated as part of Factory Expenses c. Deducted from the cost of goods produced d. Treated as Direct Expenses e. Not shown in cost sheet but credited to Profit & Loss Account f. Treated as part of Selling Expenses g. Treated as part of Distribution Expenses h. Deducted from the cost of materials purchased

Ans:- [1-h], [2-c], [3-e], [4-a], [5-d], [6-b], [7-g], [8-f]

K]

COLUMN A	COLUMN B
1. Primary Packing Materials Consumed 2. Captive Power Plant Expenses	a. Not shown in cost sheet but debited to Profit & Loss Account

3. Cash Discount Allowed 4. Scrap value of Abnormal Loss of Finished Output 5. Cost of Free Samples of Products Distributed 6. Depreciation on Computer purchased for Office	b. Forms part of Office & Adm. Expenses c. Forms part of Selling expenses d. Treated as part of Factory Expenses e. Treated as Direct Expenses f. Not shown in cost sheet but credited to Profit & Loss Account

Ans:- [1-e], [2-d], [3-a], [4-f], [5-c], [6-b]

L]

COLUMN A	COLUMN B
1. Direct materials 2. Direct labour 3. Direct expenses 4. Finance cost 5. Research and development expenses 6. Selling and distribution cost 7. Administration cost 8. Indirect production costs	a. Interest on bank overdraft b. Maintenance contract for office photo copying machine c. Developing new product in laboratary d. Carriage on purchase of raw materials e. Royalty paid on number of units of a particular product produced f. Road licences for delivery vehicles g. Lubricants for machine h. Wages of machine operators in factory

Ans:- [1-d], [2-h], [3-e], [4-a], [5-c], [6-f], [7-b], [8-g]

Q.3.STATE WHETHER TRUE OF FALSE

1. Factory Cost = Prime + All Indirect Costs

2. Prime Cost = Direct Cost **TRUE**

3. Total Cost = Prime Cost + All Indirect Costs **TRUE**

4. Cost of Production = Factory Cost + Selling & Distribution overheads. **FALSE**

5. Cost of Sales = Factory Cost + Selling & Distribution Overheads. **FALSE**

6. Closing stock of work-in-progress should be valued on the basis of cost of sales. **FALSE**

7. Closing stock of finished goods should be valued on the basis of cost of sales. **FALSE**

8. Selling and distribution overheads are incurred on the cost of production of goods produced. **FALSE**

9. Selling and distribution overheads are recovered on the basis of percentage to cost of production. **FALSE**

10. Primary packaging cost is included in distribution cost. **FALSE**

11. Production cost includes only direct costs related to the production. **FALSE**

12. Primary packaging cost is included in distribution cost. **FALSE**

13. Secondary packaging cost is not production but distribution cost. **TRUE**

14. The combined total of labor and overhead is called prime cost. **FALSE**

15. Administration cost is not included in the cost of work-in-progress. **TRUE**

16. Raw material inventory consists of products partially completed at the end of a period. **FALSE**

17. Overheads include only fixed cost. **FALSE**

18. Cost of production is equal to prime cost plus works cost. **FALSE**

19. Abnormal Loss of Material is treated as part of material cost. **FALSE**

20. In cost sheet, Stocks of Work-in-progress are adjusted with Works Cost to arrive at Office Cost. **FALSE**

21. In a Cost Sheet, Stocks of Finished Goods are adjusted with Gross Works Cost to arrive at net Works Cost. **FALSE**

22. In a Cost Sheet, Stocks of Finished Goods are adjusted with Gross Works Cost to arrive at net Works cost. **FALSE**

23. In a Cost Sheet, Selling & Distribution Overheads are added to Factory Cost to arrive at Cost of Sales. **FALSE**

24. In a Cost Sheet total Selling & Distribution Overheads are divided by the total number of units produced to arrive at selling & distribution overheads per unit. **FALSE**

25. Interest is shown in the cost sheet. **FALSE**

6. Reconciliation of cost and Financial Accounts

Q.1. Multiple Choice Questions

1. In Reconciliation Statement, Expenses shown only in Financial Accounts are
(a) **added to financial profit** (b) deducted from financial profit
(c) ignored (d) added to costing profit

2. In Reconciliation Statement, Expenses shown only in Cost Accounts are
(a) added to financial profit (b) **deducted from financial profit**
(c) ignored (d) added to costing profit

3. In Reconciliation Statement, transfers to reserves are
(a) **added to financial profit** (b) deducted from financial profit
(c) ignored (d) added to costing profit

4. In Reconciliation Statement, Incomes shown only in Financial Accounts are
(a) added to financial profit (b) **deducted from financial profit**
(c) ignored (d) added to costing profit

5. In Reconciliation Statement, Closing Stock Undervalued in Financial Accounts is
(a) **added to financial profit** (b) deducted from financial profit
(c) ignored (d) added to costing profit

6. In Reconciliation Statement, Closing Stock Overvalued in Financial Accounts is
(a) added to financial profit (b) **deducted from financial profit**
(c) ignored (d) deducted from costing profit

7. In Reconciliation Statement, Opening Stock Overvalued in Financial Accounts is
(a) added to financial profit (b) deducted from financial profit
(c) ignored (d) added to costing profit

8. In Reconciliation Statement, Opening Stock undervalued
(a) added to financial profit (b) **deducted from financial profit**
(c) ignored (d) deducted from costing profit

9. In Reconciliation Statement, Depreciation Overcharged in Financial Accounts is
(a) **added to financial profit** (b) deducted from financial profit
(c) ignored (d) added to costing profit

10. In Reconciliation Statement, Depreciation Undercharged in Financial Accounts is
(a) added to financial profit (b) **deducted from financial profit**
(c) ignored (d) added to costing profit

11. In Reconciliation Statement, Overheads Under-Recovered in Cost Accounts are
(a) added to financial profit (b) deducted from financial profit
(c) ignored (d) added to costing profit

12. In Reconciliation Statement, Overheads Over-Recovered in Cost Accounts are
(a) added to financial profit **(b) deducted from financial profit**
(c) ignored (d) deducted from costing profit

13. In Reconciliation Statement, Expenses shown only in Cost Accounts are
(a) added to financial profit (b) deducted from financial profit
(c) ignored **(d) deducted from costing profit**

14. In Reconciliation Statement, Expenses shown only in Cost Accounts are
(a) added to financial profit (b) deducted from financial profit
(c) ignored **(d) added to costing profit**

15. In Reconciliation Statement, Incomes shown only in Financial Accounts are
(a) added to financial profit (b) deducted from financial profit
(c) ignored **(d) added to costing profit**

16. In Reconciliation Statement, Closing Stock Undervalued in Financial Accounts is
(a) added to costing profit (b) deducted from financial profit
(c) added to financial loss **(d) deducted from costing profit**

17. In Reconciliation Statement, Closing Stock Overvalued in Financial Accounts is
(a) added to costing profit (b) deducted from costing profit
(c) deducted from financial loss **(d) added to costing profit**

18. In Reconciliation Statement, Opening Stock Overvalued in Financial Accounts is
(a) added to costing profit (b) deducted from financial profit
(c) added to financial loss **(d) deducted from costing profit**

19. In Reconciliation Statement, Opening Stock Undervalued in Financial Accounts is
(a) added to financial profit (b) deducted from costing profit
(c) deducted from financial loss **(d) added to costing profit**

20. In Reconciliation Statement, Depreciation Overcharged in Financial Accounts is
(a) added to costing profit (b) deducted from financial profit
(c) added to financial loss **(d) deducted from costing profit**

21. In Reconciliation Statement, Depreciation Undercharged in Financial Accounts is
(a) added to financial profit (b) deducted from costing profit
(c) deducted from financial loss **(d) added to costing profit**

22. In Reconciliation Statement, Overheads Under-Recovered in Cost Accounts are
(a) added to costing profit (b) deducted from financial profit
(c) added to financial loss **(d) deducted from costing profit**

23. In Reconciliation Statement, Overheads Over-Recovered in Cost Accounts is
(a) added to financial profit (b) deducted from costing profit

(c) deducted from financial loss **(d) added to costing profit**

24. In Reconciliation Statement, Expenses debited only in the Financial Accounts are
(a) added to financial profit (b) deducted from financial loss
(c) deducted from costing profit (d) added to costing loss
(e) any of the above except

25. In Reconciliation Statement, Closing Stock Undervalued in the Financial Accounts is
(a) added to financial profit (b) deducted from financial loss
(c) deducted from costing profit (d) added to costing loss
(e) any of the above except

26. In Reconciliation Statement, Opening Stock Undervalued in the Financial Accounts is
(a) deducted from financial profit (b) added to financial loss
(c) added to costing profit (d) deducted from costing loss
(e) any of the above

27. In Reconciliation Statement, Depreciation Undercharged in the Financial Accounts is
((a) deducted from financial profit (b) added to financial loss
(c) deducted from costing profit (d) deducted from costing loss
(e) any of the above except

28.In Reconciliation Statement, Overheads Over-recovered in Cost Accounts is
(a) added to financial profit (b) deducted from financial loss
(c) deducted from costing profit (d) added to costing loss
(e) none of the above

(B)Numerical

29. Profit as per Financial Accounts	57,240
Over recovery of works overheads	240
Under recovery of office expenses	240

Reconciliation statement will show
(a) Profit as per Cost Accounts – Rs.57,240
(b) Profit as per Cost Accounts – Rs.57,720
(c) Profit as per Cost Accounts – Rs.56,760
(d) Profit as per Cost Accounts – Rs.57,240

30. Profit as per Financial Accounts	68,77,500
Under recovery of FOH	97,500
Over valuation of Closing Stock in Cost accounts	4,53,125
Over recovery of AOH	3,96,875

(a) Profit as per Cost Accounts – Rs.68,36,250
(b) Profit as per Cost Accounts – Rs.61,25,000
(c) Profit as per Cost Accounts – Rs.78,25,000
(d) Profit as per Cost Accounts – Rs.70,31,250

31. Profit as per Financial Books	3,28,750

Factory Overhead in cost accounts	2,00,000
Factory Overheads in financial accounts	1,93,750
Office overheads under-absorbed in cost accounts	2,500

Reconciliation statement will be show
(a) Profit as per Cost Accounts – Rs.3,37,500
(b) Profit as per Cost Accounts – Rs.3,32,500
(c) Profit as per Cost Accounts – Rs.3,25,000
(d) Profit as per Cost Accounts – Rs.5,20,000

32. Profit as per cost records	43,000
Works overhead less charged	1,000
Office expenses overcharged	8,000

(a) Profit as per financial books – Rs.52,000
(b) Profit as per financial books – Rs.34,000
(c) Profit as per financial books – Rs.50,000
(d) Profit as per financial books – Rs.36,000

33. Profit as per Cost Accounts	1,10,000
Over-absorption of administrative overheads in cost accounts	30,000
Dividends received recorded in financial accounts only	6,000
Over valuation of closing stock	32,400
Under absorption of direct expenses in cost accounts	48,000

Reconciliation statement will be show
(a) Profit as per financial accounts – Rs. 66,000
(b) Profit as per financial accounts – Rs. 6,000
(c) Profit as per financial accounts – Rs. 54,000
(d) Profit as per financial accounts – Rs.1,62,000

34. Profit as per Cost Accounts	4,000
Income from investments in financial accounts	10,000
Wages underabsorbed in cost accounts	5,000
Loss on sale of fixed assets in financial accounts	20,000

Reconciliation statement will be show
(a) Loss as per financial accounts – Rs.21,000
(b) Profit as per financial accounts – Rs.11,000
(c) Loss as per financial accounts – Rs.11,000
(d) Profit as per financial accounts – Rs.29,000

35. Loss as per cost records	1,47,440
Loss on sale of Fixed Assets	8,40,000
Income from Investments	4,00,000

Reconciliation statement will be show
(a) Loss as per financial records – Rs.13,87,440
(b) Profit as per financial records – Rs. 2,92,560
(c Loss as per financial records – Rs. 5,87,440
(d) Profit as per financial records – Rs. 5,87,440

Hints:
29. (57,240 + 240 – 240)
30. (68,77,500 +97,500+4,53,125-3,96,875)
31. (3,28,750 +2,500 – (2,00,000-1,93,750))
32. (43,000-1,000+8,000)
33. (1,10,4000+30,000+6,000-32,400-48,000)
34. (10,000+4,000-5,000-20,000)
35. (1,47,440 + 8,40,000-4,00,000)

Q.2. Fill in the Blanks
1. Interest paid on loans appears only in_____ (**financial**/ cost) accounts.
2. Notional Remuneration to Owner appears only in _____ (financial/ **cost**) accounts.
3. Discount on Issue of Debentures appears only in_____(**financial**/ cost) accounts.
4. Notional Interest charges to owner for drawings appears only in _____ (financial/ **cost**) accounts.
5. Loss on sale of Investment appears only in _____(**financial**/ cost) accounts.
6. Income Tax appears only in _____ (**financial**/ cost) accounts.
7. Dividend received appears only in _____ (**financial**/ cost) accounts.
8. Damages awarded by Court appear only in _____(**financial**/ cost) accounts.
9. Expenses which appear only in Cost Accounts and not in Financial Accounts are generally _____(**notional**/actual) items.
10. Under _____ system, there is no need of reconciliation of cost and financial accounts. (**integrated**/)

Q.3. Match the Followings.
A]

Column A	Column B
1. Interest paid on Loan 2. Donations 3. Interest Received on Loans 4. Notional Interest on Owner's Capital 5. Notional Interest charges to owner for drawings	a. Income credited only in Cost Accounts b. Expenses debited only in the Financial Accounts c. Debited in both financial and cost accounts d. Ignored in both financial and cost accounts e. Appropriations only in Financial Accounts f. Income credited only in financial Accounts g. Credited in both financial and cost accounts h. Expenses debited only in Cost Accounts

Ans:- 1- b; 2-e; 3-f; 4-h; 5- a
B]

Column A	Column B
1. Interest paid on Debentures 2. Writing off Goodwill 3. Interest Received on Fixed Deposits 4. Notional Remuneration to Owner 5. Notional Rent charges to owner	a. Income credited only in Financial Accounts b. Income credited only in Cost Accounts c. Expenses debited only in the Financial Accounts d. Credited in both financial and cost accounts e. Ignored in both financial and cost accounts f. Expenses debited only in Cost Accounts

	g. Appropriations only in Financial Accounts h. Debited both financial and cost accounts

Ans:- 1-c; 2-g; 3-a; 4-f; 5-b

C]

Column A	**Column B**
1. Interest paid on Fixed Deposits 2. Written off Preliminary Expenses 3. Dividend Received on Investments made in shares 4. Notional Rent charges to Owner 5. Costing closing stock over-valued	a. Income credited only in Financial Accounts b. Credited in both financial and cost accounts c. Excess profits as per Cost Accounts d. Expenses debited only in the Financial Accounts e. Expenses debited only in the Cost Accounts f. Debited in both financial and cost accounts g. Ignored in both financial and cost accounts h. Appropriation only in Financial Accounts

Ans:- 1- d; 2-h; 3- a; 4-e; 5-c

D]

Column A	Column B
1. Expenses on Issue of Shares 2. Machinery Scrapped 3. Premium on Issue of Shares 4. Income Tax 5. Overheads over-recovered	a. Income credited only in Cost Accounts b. Debited in both financial and cost accounts c. Credited in both financial and cost accounts d. Losses debited only in the Financial Accounts e. Ignored in both financial and cost accounts f. Appropriations only in Financial Accounts g. Less profits as per cost Accounts h. Expenses debited only in the Financial Accounts i. Income credited only in Financial Accounts

Ans: 1- h ; 2- d; 3- i ; 4- f ; 5- g

Q.4) State whether True or False

1) Profit as per cost accounts is the same as profit as per the financial accounts. **False**

2) Notional interest on Owner's capital appears only in financial profit and loss a/c. **False**

3) Goodwill written off appears only in cost accounts. **False**

4) Overheads are taken on estimated basis in Financial Accounts. **False**

5) Profit as per cost accounts is the same as profit as per the financial accounts, in case of integrated system of accounts. **True**

6) Reconciliation of cost and financial accounts is necessary, in case of non-integrated system of accounts. **True**

7) Expenses which appear only in Financial Accounts and not in Cost Accounts are generally notional items. **False**

8) Need for Reconciliation arises in case of Integrated system of Accounts. **False**

9) Need for Reconciliation does not arise in case of Non-Integral system of accounts. **False**

10) Closing stock of finished goods in Cost Books is valued at cost or net realizable value whichever lower. **False**

11) Closing Stock of work-in-progress in financial books is generally valued at cost of goods produced. **False**

12) The under/over recovery of overheads may result in difference between Financial profit and Cost profit when such under/over recovery is charged to Costing Profit & Loss Account. **False**

13) Dividend paid is a financial income. **False**

14) Transfer to general reserve is credited to financial profit and loss a/c. **False**