UNIVERSITY OF NORTH BENGAL

B.Com. Honours Part-II Examination, 2021

B.COM.

PAPER-2H2

COST ACCOUNTING

Full Marks: 100

ASSIGNMENT

The figures in the margin indicate full marks.
Candidates are required to give their answers in their own words as far as practicable.
All symbols are of usual significance.

Answer any *four* questions 25×4 = 100

1. (a) Discuss the steps to be followed for installing a costing system in a manufacturing unit. What are the essentials of an effective Costing System? 8+7

   (b) The accounts of Brownie Manufacturing Co. Ltd. show the following details for the year ending on 31st March, 2020: 6+4

   Material Used- Rs. 2,00,000

   Manual and Machine labour wages (directly chargeable)- Rs. 1,50,000

   Works Overhead Expenditure- Rs. 50,000

   Establishment and General Expenses- Rs. 30,000

   Selling and Distribution Expenses- Rs. 20,000

   (i) Prepare a cost sheet based on the above information and calculate the percentage that works overhead cost bears to the manual and machine labour wages, the percentage that the Establishment and General Expenses bear to the Works Cost and the percentage that Selling and Distribution Expenses bear to the Cost of Production.

   (ii) What price should the company quote to manufacture a machine – which requires an expenditure of Rs. 10,000 on materials and Rs. 5,000 on wages – if the company wants to earn a profit @ 20% on Selling Price?

2. (a) Explain EOQ with suitable example. State the basic assumptions of EOQ model. 8+5

   (b) Premier Ltd. manufactures a special product, which requires material Z. The following particulars were collected: 12

   Monthly Demand of Z- 7,500 units; Cost of placing an order- Rs. 500; Re-order

period- 5 to 8 weeks (in case of emergency: 2 weeks); Cost per unit- Rs. 60; Carrying Cost: @ 10% p.a.; Normal Usage- 500 units per week; Minimum Usage- 250 units per week; Maximum Usage- 750 units per week.

You are required to calculate:

(i) Economic order quantity, (ii) Re-order level, (iii) Minimum Stock Level, (iv) Maximum Stock Level, (v) Safety Stock Level and (vi) Danger Stock Level.

3. (a) Differentiate between allocation and apportionment of overheads. Describe the various methods of absorption of overheads. Which of these methods do you consider most scientific and why? 5+7+3

(b) A company has three production departments and two service departments. Distribution summary of overheads is as follows: 10

Production Departments: A- Rs. 27,300, B- Rs. 30,500, C- Rs. 25,700

Service Departments; S1- Rs. 18,000, S2- Rs. 6,000

The expenses of service departments are charged on a percentage basis which is as follows:

Department	A	B	C	S1	S2
S1	40%	30%	20%	-	10%
S2	30%	30%	20%	20%	-

Apportion the cost of service departments.

4. (a) Discuss critically the way in which the profit of an incomplete contract is estimated. 8+17

(b) Following particulars were obtained in relation to a contract commenced on 01.05.2020:

(i) Expenses paid for the year ended on 31.03.2021: (a) Materials purchased Rs. 1,75,000; (b) Wages paid Rs. 87,000; (c) Other Direct expenses Rs. 15,000

(ii) On 31.03.2021: Wages of Rs. 3,000 remain outstanding and Materials costing Rs. 2,000 were at site.

(iii) A plant worth Rs. 2,00,000 was issued to the site and the W.D.V. of the plant on 31.03.2021 was estimated to be Rs. 1,80,000.

(iv) Works expenses (excluding depreciation) and Office expenses are to be absorbed @ 20% of wages incurred and @ 10% of Works Cost respectively.

(v) 10% of materials consumed, 15% of wages and other direct expenses incurred and 10% of depreciation are to be considered for the works completed but not certified.

(vi) The contract price of the project is Rs. 8,00,000.

(vii) Value of Works Certified till 31.03.2021 was Rs. 4,50,000. Cash realized Rs. 4,00,000.

Prepare Contract Account for the year ended on 31.03.2021.

5. A school bus having seating capacity of 60 students starts from the school in the morning and goes up to 10 km away to collect 60 students and returns to the school. In the afternoon the bus goes for the return journey of the same students. 25

The school works 22 days in a month and remains closed for vacation in June and October, however, bus fee is payable by the students for 12 months in a year. Students making journey within a range of 5 km are charged half fare and 40% of the students are in this category.

The expenses for the bus are: Driver's and Conductor's Salary: Rs. 18,000 p.m; License fee and taxes; Rs. 6,000 per quarter; Depreciation Rs. 58,000 p.a. and other expenses Rs. 4,000 per month of running. The bus gives an average mileage of 8 km per liter and diesel cost is Rs. 80 per liter.

Compute the average cost per student-km and cost per student per month in respect of :

(i) Students coming from a distance of up to 5 km and

(ii) Students coming from a distance of above 5 km.

6. (a) "Marginal Costing is a very useful technique to management for cost control, profit planning and decision making" — Explain the statement. 11+14

(b) The cost structure and selling prices of a product remains the same in period I and period II. Find:

(i) PV Ratio, (ii) Fixed Cost, (iii) BEP, (iv) Profit when sales are Rs. 1,00,000, (v) Sales required to earn a profit of Rs. 20,000, (vi) Margin of Safety when profit is Rs. 15,000 and (vii) Variable cost in period II.

Period	Sales (Rs.)	Profit (Rs.)
I	1,20,000	9,000
II	1,40,000	13,000

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