Name:
Enrolment No:

UNIVERSITY OF PETROLEUM & ENERGY STUDIES

Online End Semester Examination, May 2020

Course: Cost Accounting	**Semester: I**
Program: B.Com (H+Tax+BMI)	**Time: 03 hrs.**
Course Code: FINC 1007	**Max. Marks: 100**

SECTION A

1. Each Question will carry 5 Marks
2. Instruction: Complete the statement / Select the correct answer(s)

S.No	Question	CO
Q1.	**Answer the following:** (i) The basic objective of Cost accounting is: A. Tax compliance. B. Financial audit. C. Cost ascertainment D. Profit Analysis (ii) Process Costing is suitable for: A. Hospitals B. Oil Refining Firms C. Transport Firms D. Brick Laying Firms (iii) Cost classification can be done in: A. 2 ways B. 3 ways C. 4 ways D. Several ways (iv) Indirect material used in production is classified as : A. Office overhead B. Selling overhead C. Distribution overhead D. Factory overhead (v) Total of all direct costs is termed as: A. Prime Cost B. Works Cost C. Cost of sales D. Cost of production	CO1
Q2.	**Answer the following:** (i) Audit fees is a part of A. Works cost B. Selling Overhead C. Distribution overhead	CO1

	D. Administration Overhead (ii) Toy manufacturing industry should use: A. Unit costing B. Process costing C. Batch costing D. Multiple costing (iii) The loss which occurs in manufacturing activity on account of inherent nature of the product is: A. Normal Loss B. Abnormal Loss C. Net Loss D. Gross Loss (iv) In order to avoid the halt of production due to shortage of material: A. Maximum stock level should be maintained B. Minimum stock level should be maintained C. Re-order level is maintained D. Average stock level is maintained (v) Discarded material substances which has no value is called: A. Waste B. Scrap C. Defectives D. Spoilage	
Q3.	**Suggest suitable costing method (Job, process, Batch, Contract) for the following industries:** (a) Sugar (b) Cotton textiles (c) Chemicals (d) Oil refinery (e) Toy-making	CO2
Q4.	**State whether the following statements are true or false:** (a) Costs may be ascertained in different ways by different persons. (b) The term ‘cost has a fixed, certain and definite meaning. (c) Rent of a factory building is a variable cost. (d) Salesmen’s salary is a fixed cost. (e) All factory expenses can be identified directly with the products manufactured by a factory.	CO2
Q5.	**Match the following:** a) Absorption Costing — i) Inventoriable costs b) Variable Costing — ii) incurred even in case of 0 production c) Product Cost — iii) total cost is charged to production d) Period Cost — iv) Sales- Variable Cost e) Contribution — v) segregates costs into fixed and variable elements	CO3
Q6.	Fill in the blanks: a. To obtain the break-even point in rupee sales value, total fixed costs are divided by …………	CO3

	b. ……………. is referred to as the excess of actual sales over break-even sales c. When sales increase from Rs. 40,000 to Rs. 50,000 and profit increases by Rs. 5,000, the P/V ratio is ………….. d. When there is no opening or closing stocks, profit under marginal costing is will be ………. to absorption costing. e. On sales of Rs. 2,00,000, fixed cost is Rs. 30,000 and P/V ratio is 40%. The profit will be Rs………..	

SECTION B

1. Each question will carry 10 marks
2. Instruction: Write short / brief notes

Q7. (CO4)

Prepare a Cash Budget for April, May and June (2011) from the following information given below:

Month	***Sales Rs.***	***Materials Rs.***	***Wages Rs.***	***Overheads Rs.***
February	14,000	9,600	3,000	1,700
March	15,000	9,000	3,000	1,900
April	16,000	9,200	3,200	2,000
May	17,000	10,000	3,600	2,200
June	18,000	10,400	4,000	2,300

Additional Information:

a. Credit terms:

Sales and Debtors- 10% of sales are in cash, 50% of the credit sales are collected next month and the balance in the following month:

Creditors-	Materials	2 months
	Wages	¼ month
	Overheads	½ month

b. Cash and bank balance on 1st April 2011 is expected to be Rs. 6000

c. Other relevant information is:

i. Plant & Machinery will be installed in February 2011 at a cost of Rs. 96,000. The monthly instalment of Rs. 2,000 is payable from April onwards.
ii. Dividend @ 5% on Preference share Capital of Rs. 2,00,000 will be paid on 1st June.
iii. Advance to be received for sale of vehicles Rs. 9,000 in June.
iv. Dividends from investments amounting to Rs. 1,000 are expected to be received in June.
v. Income tax (advance) to be paid in June is Rs. 2,000.

Q8.	Write a short note on advantages and disadvantages of preparing a budget.	CO4
Q9.	Differentiate between Cost and Financial Accounting	CO1

Q10. (CO1)

a. Prepare cost sheet from the following particulars:

Raw material purchased	Rs. 2,40,000
Paid freight charges	Rs. 20,000
Wages paid to laborers	Rs. 70,000

	Directly chargeable expenses Rs 50,000 Factory on cost 20% of prime cost General and administrative expenses 4% of factory cost Selling and distribution expenses 5% of production cost Profit 20% on sales **Particulars** | **Opening stock (Rs.)** | **Closing stock (Rs.)** Raw material | 30,000 | 40,000 Work in progress | 35,000 | 48,000 Finished goods | 40,000 | 55,000	
Q11.	a. From the following information, calculate economic batch quantity for a company using batch costing: **(5)** Annual demand for the components Rs. 2400 units Setting up cost per batch Rs. 100 Manufacturing cost per unit Rs. 200 Carrying cost per unit 6% p.a. b. Mr. B undertook a contract No. 501 for ₹ 5,00,000 on 1st July 2015. On 31st March, 2016 when the counts were closed and the following information was available: **(5)** Material issued to site ₹ 55,000 Direct expenses paid ₹ 6000 Site office costs ₹ 10,000 Plant ₹ 2,00,000 Direct expenses prepaid at the end ₹ 1000 Cost of work uncertified ₹ 20,000 Wages paid ₹ 18,000 General overheads 25% of wages Costs of sub contracts ₹ 15,000 Wages accrued at the end ₹ 2,000 Materials at site at the end ₹ 5,000 Cash received ₹ 2,00,000 being 80% of work certified Plant was installed on the respective date of the contract and depreciation is to be provided at 10% per annum You are required to prepare contract account for Mr. B.	CO2
SECTION C **1. Each Question carries 20 Marks.** **2. Instruction: Write long answer.**		
Q12.	**a. Prepare Income statement using (a) Absorption costing (b) Marginal costing** Normal capacity 2,00,000 units Opening stock 40,000 units Units produced 1,70,000 units Units sold 2,00,000 units Selling price per unit ₹ 25 Direct material cost per unit ₹ 4 Direct Labour cost per unit ₹ 4	CO3

Variable production overheads per unit	₹ 2
Fixed production overheads	₹ 8,00,000
Variable administration overheads per unit sold	₹ 0.50
Fixed administration overheads	₹ 1,00,000
Variable selling and distribution overheads per unit sold	₹ 1.50
Fixed selling and distribution overheads	₹ 2,00,000

OR

b. Pacific Estates limited is planning either to produce or buy the component pqr if it decides to produce component pqr then it has to install system facilities for that in its factory the following information is available for the production of components at various levels

Particulars	***Production Level (in units)***			
	1,00,000	**1,50,000**	**2,00,000**	**2,50,000**
Variable Costs	2,50,000	3,73,500	5,06,000	6,27,500
Fixed Production Overheads	1,00,000	1,35,000	1,75,000	1,75,000

This component can be purchased from the market at the following prices:

	Production Level (in units)			
Order Quantity	**1,00,000**	**1,50,000**	**2,00,000**	**2,50,000**
Price	3.40	3.35	3.30	3.25

You are required to comment whether the company should produce the component or buy it from the market when the estimated requirements of the components are: (a) 1,00,000 units (b) 1,50,000 units (c) 2,00,000 units (d) 2,50,000 units.

ALL THE BEST!!!