Paper / Subject Code: 11105 / Financial Accounting & Auditing : Paper IX Costing Accounting.

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Q.P. Code : 03184

[Time : 2½ Hours] [Total Marks : 75]

N.B:
1. **All** questions are **compulsory**.
2. **Figures** to the **right** indicate **full marks** allotted to the **question**.
3. **Working notes** should form the part of **your answer**.
4. **Calculate** figures upto **two decimal** points wherever **required**.

1. a) Select the most appropriate option and rewrite the full sentence (**Any Eight**) : **8**

1) Normal penalties of contract are debited to ________.
   - Costing P & L A/c
   - Contract A/c
   - Contractee's A/c
   - Contractor's A/c

2) ________ makes the cost ledger Self-Balancing.
   - Overhead control account
   - Costing P & L A/c
   - Cost Ledger Control A/c
   - None of these

3) The difference between actual quantity and standard quantity, multiplied by standard price is the ________.
   - Labour rate variance
   - Labour efficiency variance
   - Material usage variance
   - Material price variance

4) Profit remaining as reserve is ________.
   - Transferred to P & L A/c
   - Deducted from WIP
   - Not taken into account in cost
   - Debited to cost price of contract.

5) ________ Control account represents value of finished goods in stock.
   - Stores Ledger
   - Cost Ledger
   - WIP Ledger
   - None of these

6) Sale of By – Product is ________.
   - Debited to Normal Loss Account
   - Credited to Profit & Loss Account
   - Debited to Process Account
   - Credited to Process Account

7) If sales are ₹ 8,00,000 and variable cost to sales is 70%, contribution is ₹________.
   - 5,60,000
   - 2,40,000
   - 7,00,000
   - 3,00,000

8) The primary benefit of Activity Based Costing is to provide ________.
   - more accurate product costing
   - more cost pools
   - better management decisions
   - enhanced control over overhead costs

9) Process output is 25000 units, Normal loss 3000 units, abnormal loss is 2000 units. The input is ________ units.
   - 20,000
   - 15,000
   - 30,000
   - None of the above

TURN OVER

10) Cost drivers for customer order processing are ____________.
- Order quantity
- Order source
- Order value
- All of the above

b) State whether the following statements are True or False (**Any Seven**) : **7**

1. Process costing is the technique of cost accounting.
2. Stores ledger contains wages paid.
3. Indirect labour is debited to work-in-progress control account.
4. P/V Ratio is improved by decreasing Fixed Cost.
5. Material returned to stores is credited to contract account.
6. In process, invisible waste has no realizable value.
7. Loss arising on incomplete contract should be debited to Costing Profit & Loss Account.
8. Standard costs are pre-determined costs.
9. Unit level costs occur once for each unit produced.
10. A Firm incurs a loss when contribution is equal to Fixed Cost.

2. VNK Pvt. Ltd. is manufacturing a product which passes through three consecutive processes i.e. Process V, Process N and Process K. The following figures have been taken from their books for the year ended 31st March, 2017 : **15**

Particulars	Process V	Process N	Process K
No. of units introduced ₹@ 5 each	96,000 units	-----	-----
Process materials (₹)	1,58,720	71,490	88,346
Direct wages (₹)	80,000	72,000	56,000
Production overheads (₹)	32,000	36,000	33,600
Normal Loss (%)	3%	1%	1%
Scrap value per 10 unit (₹)	20	30	50
Actual output during the year	93,000 units	92,200 units	91,500 units

Prepare the three process accounts and normal loss account.

OR

2. M/s. Gokul Enterprises Ltd. provides you the following information for the month of March, 2017 about Process N, P and R. **15**

Particulars	Process N	Process P	Process R
Basic Raw Materials introduced (units)	60,000	10,100	7,560
Cost of Basic Raw Materials per unit (₹)	30	36	44
Direct labour (₹)	3,08,700	3,46,400	3,84,300
Direct expenses (₹)	2,47,500	2,11,900	1,84,700
Manufacturing Expenses (₹)	1,75,800	1,82,600	1,75,480
Normal Loss (% on total No. of units Input)	8%	12%	16%
Scrap value per unit (₹)	10	14	20
Actual output (units)	57,000	47,400	28,000
Output transferred to next process	70%	60%	-----
Output sold at end of the process	30%	40%	80%
Output transferred to Finished Stock	-----	-----	20%
Selling price of output sold at end of the process (per unit ₹)	64	88	140

Prepare three Process accounts.

3. Mohan Infrastructures Ltd. commenced a contract on 1st April, 2016. The total contract price was for ₹ 25,00,000 and it is likely to be completed on 31st December, 2017. The actual expenditure upto 31st March, 2017 & subsequent estimated expenditure upto 31st December, 2017 are as given below : **15**

Particulars	Actual Expenditure upto 31-03-2017 (₹)	Estimated Expenditure from 01-04-2017 to 31-12-2017 (₹)
Material issued	4,00,000	5,50,000
Labour paid	4,20,000	2,60,000
Plant purchased	3,00,000	-----
Expenses paid	75,000	1,50,000
Expenses prepaid at end of the year	20,000	-----
Plant returned to stores (original cost)	1,00,000	2,00,000
Material at site	20,000	50,000
Work certified	20,00,000	Full
Work uncertified	25,000	-----
Cash Received	16,00,000	Full

The plant is subject to annual depreciation @25% of original cost. It was decided that profit to be taken credit for should be that portion of the estimated net profit to be realized on completion of the contract which the certified value of work as on 31st March, 2017 bears to the total contract price.

Prepare contract account for the year ended 31st March, 2017 and show your calculation of profit to be credited to the Profit & Loss account for the year ended 31st March, 2017.

OR

3. Kiran Constructions Ltd. has undertaken two contracts viz No. 1 and No. 2. The following particulars are available for the year ended 31st March, 2017. 15

Particulars	Contract No.1	Contract No.2
Material Purchased	11,25,000	8,15,000
Wages	9,00,000	6,00,000
Electrical Services	65,000	12,000
Road making charges	4,40,000	Nil
Contract Price (inclusive of Road making)	30,00,000	30,00,000
Cash received upto 31-03-2017	30,00,000	15,00,000
% of cash received to work certified	100	75
Uncertified work	Nil	1,25,000
Other expenses	25,000	15,000
Supervision charges	50,000	75,000
Sub contract charges	50,000	25,000
Value of material in hand on 31-03-2017	20,000	27,000
Value of Plant used on sites	6,00,000	3,00,000
Period of Plant remained on site during the year (Month)	10	8

The total administrative expenses incurred during the current accounting year amounted to ₹ 6,12,000. These are to be charged to the two contracts in proportion to wages. Depreciation of Plant is to be taken at the rate of 12.5% p.a.

Prepare the two contract accounts showing the profit or loss on each contract for the year 2016-2017 and sum which you considered appropriately transferable to the Profit and Loss account.

TURN OVER

4. Following are the balances in cost ledger of a manufacturing company on 1st April, 2016 : **15**

Particulars	Debit (₹)	Credit (₹)
Stores Ledger Control A/c	6,000	
Work-in-progress Ledger Control A/c	9,000	
Finished Stock Ledger Control A/c	14,000	
Cost Ledger Control A/c		29,000

Transaction for the year ended 31-03-2017	₹
Materials purchased	66,000
Materials issued to as :	
Direct Materials	45,000
Indirect Materials	12,000
Wages paid allocated as :	
Direct Cost	27,000
Indirect Cost	9,000
Production expenses	10,800
Administration expenses	24,000
Selling expenses	18,000
Value of finished goods produced	1,08,000
Closing stock of finished goods	12,000
Sales	1,80,000

Prepare :

1) Cost Ledger Control A/c
2) Store Ledger Control A/c
3) Work-in-progress Ledger Control A/c
4) Finished Goods Ledger Control A/c
5) Factory Overhead Control A/c
6) Costing P & L A/c

OR

4. a) From the following information : **8**

Calculate :

1) Profit Volume Ratio
2) Sales and Marginal Cost of Sales
3) New B.E.P. in units & in ₹ if selling price is reduced by 10%
4) Profit at sales ₹ 60,000

Fixed Cost	₹	8,000
Break Even Sales	₹	40,000
Profit	₹	2,000
Selling Price	₹	40 per unit

b) From the following, Calculate Material Usage Variance, Material Price Variance, Labour Rate Variance and Labour Efficiency Variance : 7

Labour :

Standard hours per 100 units : 1200 hours
Standard rate ₹ 50 per hour
Actual production 1600 units
Actual hours 19800 hours
Actual rate ₹ 45 per hour

Material :

Standard for 10 units of product 'X' : Material 10 kgs @ ₹20 per kg.
Actual production 9000 units of Product 'X'.
Actual material used 9400 kgs.
Actual rate ₹ 19.50 per kg.

5. a) What are the features of Contract Costing? 8
b) Distinguish between Joint Product and By-Product. 7

OR

5. Write short notes on **any three** of the following : 15
a) Activity Based Costing
b) Target costing
c) Work-in-Progress Ledger Control Account
d) Material variances
e) P/V Ratio
