

COURSE: B.COM (PROG.)

SEMESTER: 4

COST ACCOUNTING

ASSIGNMENT

ASSIGNMENT I

Attempt any three of the followings:

1. Distinguish between direct and indirect costs.
2. Explain ABC analysis and just in time technique of inventory control.
3. Define cost unit and cost center.
4. Describe how cost accounting is useful for management?

ASSIGNMENT II

Attempt any two of the following questions:

1. Why is Reconciliation of Cost Accounts and Financial Accounts necessary? What are the possible reasons for difference in profits shown by both set of accounts?
2. How under and over absorption of overheads are treated in cost accounts?
3. Explain two important methods of overhead absorption?
4. What is labour turnover? What are its causes? What should be done to keep it under control?

TEST QUESTIONS

Q. 1 Define cost accountancy. What are its main objectives?

Q. 2 Discuss the important methods of pricing material issues?

Q. 3 Explain machine hour rate method of overhead absorption and how it is computed?

Q 4. 2000 units costing Rs. 4 per unit were introduced in process I . Labour costs and other expenses were Rs. 1080 and Rs. 120 respectively. Its output was 1,900units.

The normal scrap was 10% of the input and had a realizable value of Rs.1 per unit.

Prepare : Process I Account;
Normal Loss Account and
Abnormal Gain Account

Q 5. From the following particulars, prepare stores ledger account using
First in First out (FIFO) method :

Jan 1 Stock in hand 400 units at Rs.20 per unit.
Jan 4 Purchased 100 units at Rs.21 per unit
Jan 7 Issued 300 units
Jan 10 Purchased 200 units at Rs.22 per unit
Jan 12 Issued 150 units
Jan 15 Issued 50 units
Jan 17 Purchased 200 units at Rs.25 per unit
Jan 22 Issued 100 units
Jan 25 Issued 150 units
Jan 31 A shortage of 20 units was noticed

MCQ for B.COM. PROGRAM- COST ACCOUNTING

Q.1. Which of these is not an objective of Cost Accounting?

- (a) Ascertainment of Cost
- (b) Determination of Selling Price
- (c) Cost Control and Cost reduction
- (d) Assisting Shareholders in decision making.

Q.2. Cost Unit is defined as:

- (a) Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed.

(b) A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.

(c) Centres having the responsibility of generating and maximising profits.

(d) Centres concerned with earning an adequate return on investment.

Q.3. Fixed cost is a cost:

(a) Which changes in total in proportion to changes in output.

(b) which is partly fixed and partly variable in relation to output.

(c) Which do not change in total during a given period despite changes in output.

(d) which remains same for each unit of output.

Q.4. Element/s of Cost of a product are:

(a) Material only

(b) Labour only

(c) Expenses only

(d) Material, Labour and expenses

Q.5. Calculate the prime cost from the following information: Direct material purchased: Rs. 1,00,000 Direct material consumed: Rs. 90,000 Direct labour: Rs. 60,000 Direct expenses: Rs. 50,000 Manufacturing overheads: Rs. 30,000

(a) Rs. 1,80,000

(b) Rs. 2,00,000

(c) Rs. 1,70,000

(d) Rs. 2,10,000

Q. 6. Total cost of a product: Rs. 10,000 Profit: 20% on Selling Price Profit is:

(a) Rs. 2,500

(b) Rs. 3,000

(c) Rs. 3,333

(d) Rs. 2,000

Q. 7. Which of these is not a Material control technique:

- (a) ABC Analysis
- (b) Fixation of raw material levels
- (c) Maintaining stores ledger
- (d) Control over slow moving and non moving items

Q.8. Out of the following, what is not the work of purchase department:

- (a) Receiving purchase requisition
- (b) Exploring the sources of material supply
- (c) Preparation and execution of purchase orders
- (d) Accounting for material received

Q.9. Bin Card is a:

- (a) Quantitative as well as value wise records of material received, issued and balance;
- (b) Quantitative record of material received, issued and balance
- (c) Value wise records of material received, issued and balance
- (d) a record of labour attendance

Q.10. Stores Ledger is a:

- (a) Quantitative as well as value wise records of material received, issued and balance;
- (b) Quantitative record of material received, issued and balance
- (c) Value wise records of material received, issued and balance
- (d) a record of labour attendance

Q.11. Re-order level is calculated as:

- (a) Maximum consumption x Maximum re-order period
- (b) Minimum consumption x Minimum re-order period
- (c) $\frac{1}{2}$ of (Minimum + Maximum consumption)
- (d) Maximum level - Minimum level

Q.12. Economic order quantity is that quantity at which cost of holding and carrying inventory is:

- (a) Maximum and equal
- (b) Minimum and equal
- (c) It can be maximum or minimum depending upon case to case.
- (d) Minimum and unequal

Q.13. ABC analysis is an inventory control technique in which:

- (a) Inventory levels are maintained
- (b) Inventory is classified into A, B and C category with A being the highest quantity, lowest value.
- (c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value
- (d) Either b or c.

Q.14. Which one out of the following is not an inventory valuation method?

- (a) FIFO
- (b) LIFO
- (c) Weighted Average
- (d) EOQ

Q.15. Calculate Re-order level from the following: Consumption per week: 100-200 units
Delivery period: 14-28 days:

- (a) 5600 units
- (b) 800 units
- (c) 1400 units
- (d) 200 units

Q.16. Which of the following is an abnormal cause of Idle time:

- (a) Time taken by workers to travel the distance between the main gate of factory and place of their work
- (b) Time lost between the finish of one job and starting of next job
- (c) Time spent to meet their personal needs like taking lunch, tea etc.
- (d) Machine break downs

Q.17. If overtime is resorted to at the desire of the customer, then the overtime premium:

- (a) should be charged to costing profit and loss account;
- (b) should not be charged at all
- (c) should be charged to the job directly
- (d) should be charged to the highest profit making department

Q.18. Labour turnover means:

- (a) Turnover generated by labour
- (b) Rate of change in composition of labour force during a specified period
- (c) Either of the above
- (d) Both of the above

Q.19. Which of the following is not an avoidable cause of labour turnover:

- (a) Dissatisfaction with Job
- (b) Lack of training facilities
- (c) Low wages and allowances
- (d) Disability, making a worker unfit for work

Q.20. Overhead refers to:

- (a) Direct or Prime Cost
- (b) All Indirect costs
- (c) only Factory indirect costs

(d) Only indirect expenses

Q.21. Allotment of whole item of cost to a cost centre or cost unit is known as:

(a) Cost Apportionment

(b) Cost Allocation

(c) Cost Absorption

(d) Machine hour rate

Q. 22. Which of the following is not a method of cost absorption?

(a) Percentage of direct material cost

(b) Machine hour rate

(c) Labour hour rate

(d) Repeated distribution method

Q.23. Service departments costs should be allocated to:

(a) Only Service departments

(b) Only Production departments

(c) Both Production and service departments

(d) None of the production and service departments

Q.24. Most suitable basis for apportioning insurance of machine would be:

(a) Floor Area

(b) Value of Machines

(c) No. of Workers

(d) No. of Machines

ANSWERSkey to : Multiple Choice Questions

Q. No.	Answer/ choice
1	(d) Assisting Shareholders in decision making.
2	(a) Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed.
3	(c) Which do not change in total during a given period despite changes in output.
4	(d) Material, Labour and expenses
5	(b) Rs. 2,00,000
6	(a) Rs. 2,500
7	c) Maintaining stores ledger
8	(d) Accounting for material received
9	(b) Quantitative record of material received, issued and balance
10	(a) Quantitative as well as value wise records of material received, issued and balance
11	(a) Maximum consumption x Maximum re-order period
12	(b) Minimum and equal
13	(c) Inventory is classified into A, B and C Category with A being the lowest quantity, highest value
14	(d) EOQ
15	(a) 5600 units
16	(d) Machine break downs

17	(c) should be charged to the job directly
18	(b) Rate of change in composition of labour force during a specified period
19	(d) Disability, making a worker unfit for work
20	(b) All Indirect costs
21	(b) Cost Allocation
22	(d) Repeated distribution method
23	(c) Both Production and service departments
24	(b) Value of machine