



BRAINWARE UNIVERSITY

Term End Examination 2023-2024
Programme – B.Com.(AFB)-Hons]-2023
Course Name – Cost Accounting
Course Code - BBF20103
(Semester II)

Full Marks : 60

Time : 2:30 Hours

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group-A

(Multiple Choice Type Question)

1 x 15=15

1. Choose the correct alternative from the following :

- (i) Define economic order quantity (EOQ) for materials.
- a) The maximum quantity of materials that can be ordered at one time
 - b) The quantity of materials that minimizes total inventory costs
 - c) The quantity of materials required to meet production demand
 - d) The minimum quantity of materials that must be ordered to receive a bulk discount
- (ii) Explain the concept of material yield variance.
- a) The difference between actual and standard quantities of materials used
 - b) The difference between the actual yield of a process and the expected yield
 - c) The difference between the actual price paid for materials and the standard price
 - d) The difference between actual and budgeted material costs
- (iii) Define scrap in the context of materials.
- a) Unused materials returned to suppliers for a refund
 - b) Materials that are defective and cannot be used in production
 - c) Materials that are left over after production and have no further use
 - d) Materials that are lost or damaged during transportation
- (iv) Explain the term labor efficiency variance.
- a) The difference between actual and budgeted labor hours
 - b) The difference between actual and standard labor rates
 - c) The difference between actual and standard labor costs
 - d) The difference between actual and expected labor productivity
- (v) Define idle time.
- a) Time spent by employees on non-productive activities
 - b) Time spent by employees on training and development
 - c) Time spent by employees on breaks and rest periods
 - d) Time spent by employees on productive activities
- (vi) Explain the concept of Absorption Costing.
- a) A costing method that only considers variable costs
 - b) A costing method that only considers fixed costs
 - c) A costing method that considers both variable and fixed costs
 - d) A costing method that considers only direct costs

- (vii) Define Marginal Costing.
- a) A costing method that only considers fixed costs
 c) A costing method that considers both variable and fixed costs
- b) A costing method that only considers variable costs
 d) A costing method that considers only direct costs
- (viii) Explain the concept of Variable Cost.
- a) Costs that remain constant regardless of the level of production
 c) Costs that vary inversely with the level of production
- b) Costs that vary in direct proportion to the level of production
 d) Costs that do not change with the level of production
- (ix) Explain the concept of conversion costs in process costing.
- a) Costs incurred to convert raw materials into finished goods
 c) Costs incurred for selling and distribution of finished goods
- b) Costs incurred for purchasing raw materials
 d) Costs incurred for administrative purposes
- (x) Interpret the term abnormal process loss in process costing.
- a) Loss that is inherent in the production process and is unavoidable
 c) Loss that occurs due to abnormal circumstances
- b) Loss that occurs due to inefficiencies in the production process
 d) Loss that occurs due to theft or pilferage
- (xi) Justify the recording of overhead expenses in the general ledger.
- a) To record only expenses incurred
 c) To maintain accurate records of all expenses including overheads
- b) To record only revenues earned
 d) To ignore overhead expenses
- (xii) Justify the use of subsidiary ledgers in bookkeeping.
- a) To record only expenses incurred
 c) To maintain detailed records of specific accounts such as accounts receivable and accounts payable
- b) To record only revenues earned
 d) To ignore financial transactions
- (xiii) Explain the concept of contract costing.
- a) A costing method used for batch production
 c) A costing method used for projects that are undertaken to customer specifications
- b) A costing method used for continuous production of homogeneous products
 d) A costing method used for joint products
- (xiv) Explain the term cost overrun in contract costing.
- a) When costs are lower than estimated
 c) When costs match the estimated amount
- b) When costs exceed the estimated amount
 d) When costs are irrelevant
- (xv) Select the characteristic of work-in-progress in contract costing.
- a) Projects that are completed
 c) Projects that are ongoing
- b) Projects that have not yet started
 d) Projects that are abandoned

Group-B

(Short Answer Type Questions)

3 x 5=15

2. Define direct cost and indirect cost with examples. (3)
3. Distinguish between allocation and absorption. (3)
4. Explain the By-product with an example. (3)
5. Give four examples of administrative overhead. (3)
6. A company manufactures a product having a monthly demand of 2,000 units. For one unit of finished product, 2 kgs. of a particular raw material item is needed. The purchase price of material is ₹ 20 per kg. The ordering cost is ₹ 120 per order and the holding cost is 10% per annum. (3)

Calculate :

- (i) Economic Order Quantity (EOQ); and
- (ii) Annual cost of purchasing and storage of raw materials at that quantity.

OR

In a factory component 'A' is used as follows :

(3)

- (i) Normal usage 50 kg per week.
- (ii) Maximum usage 75 kg per week.
- (iii) Re-order quantity 300 kg.
- (iv) Re-order period 4 to 6 weeks.

Calculate for component 'A' :

- (a) Re-order level; (b) Maximum level; (c) Minimum level; and (d) Average stock level.

Group-C
(Long Answer Type Questions)

5 x 6=30

7. The following information relates to a building contract for the year 2017. Contract price is ₹ 32,00,000 (all figures in rupees). (5)

Materials issued	3,00,000	Work uncertified	8,000
Direct wages	2,30,000	Materials at site	5,000
Direct expenses	22,000	Plant issued	14,000
Indirect expenses	6,000	Cash received from contractee	6,00,000
Work certified	7,50,000		

The value of plant at the end of 2017 was ₹ 7,000.

Prepare Contract Account.

8. Distinguish between Cost Centre and Profit Centre. (5)
9. State the advantages of decentralized purchasing system. (5)
10. Advantages of Rowan's premium method. (5)
11. From the following particulars, prepare a Cost Sheet for the month of January, 2013 : (all figures in ₹) (5)

Raw materials (1.1.2013)	6,000	Depreciation on machine	4,000
Purchase of raw materials	56,000	Rent and rates for office	9,600
Raw materials (31.1.2013)	9,000	Administrative expenses	1,200
Direct wages	12,600	Selling and distribution overhead	3,000
Materials destroyed by fire	400	Stock of finished goods (31.1.2013)	1,000 units
Factory rent	3,600	Production during the month	8,000 units

12. Record the following transactions in the Stores Ledger Account using FIFO method of pricing issues : (5)
- 2017

March	1	Balance in hand	3,000 units @ ₹ 20 each
	2	Purchased	2,000 units @ ₹ 22 each
	3	Issued	1,500 units
	5	Purchased	2,000 units @ ₹ 23 each
	10	Issued	1,500 units
	15	Issued	2,000 units
	20	Purchased	2,000 units @ ₹ 24 each
	31	Issued	1,500 units

OR

A product passes through Process 1 and Process 2.

1. Materials issued to Process 1 (5,000 units)	₹ 40,000
2. Labour cost	30,000
3. Manufacturing overheads	27,000
4. Normal Loss 3% of input (Scrap value — Nil)	
5. Actual output — 4,350 units.	

(5)

You are required to prepare Process I Account.
