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PRESIDENCY UNIVERSITY BENGALURU

 SET-A

SCHOOL OF LAW

**END TERM EXAMINATION – MAY/JUNE 2024**

**Semester :** Semester II - 2023

**Course Code :** BCL2009

**Course Name :** Cost Accounting

**Program :** B.Com LLB Honors

**Date :** June 18, 2024

**Time :** 9.30 AM – 12.30 PM

**Max Marks :** 100

**Weightage :** 50%

**Instructions:**

1. *Read all questions carefully and answer accordingly.*
2. *Question paper consists of 3 parts.*
3. *Scientific and non-programmable calculator are permitted.*
4. *Do not write any information on the question paper other than Roll Number.*

**PART A**

**ANSWER ANY FOUR QUESTIONS 4Q X 5M = 20 MARKS**

* 1. Draft a comprehensive and detailed proforma that systematically outlines the intricacies of cost accounting procedures, encompassing various aspects such as cost classification, allocation methods, budgeting, variance analysis, and performance evaluation.

 (CO1) [Knowledge]

* 1. The following details are available with reference for material A during the month of June 2023.

June 1 Opening stock 500 units at Rs. 5 per unit June 2 Received 400 units at Rs. 4 per unit June 4 Issued 350 Units

June 6 received 300 units at Rs. 3 per unit June 7 Issued 150 Units

June 8 received 500 units at Rs. 3 per unit June 10 Issued 300 Units

June 12 Issued 200 Units

Ascertain the stock value on 31st JUne 2023 by preparing Stores Ledger account under FIFO method.

(CO2) [Knowledge]

* 1. A skilled worker in Bhoomi Company Ltd. Ia paid a guaranteed wage rate of ₹ 30 per hour. The standard time per unit for a particular product is 4 hours, Mr Praneeth a machine man has been paid wages under the Rowan incentive plan and he had earned an effective hourly rate of ₹ 40 on the manufacture of that particular product.

State what could have been his total earnings and effective hourly rate had he been put on Halsey incentive scheme (50%).

 (CO3) [Knowledge]

* 1. Identify and list down the bases for apportionment for the following expenses:
		1. Factory rent, rates and taxes
		2. Repairs and maintenance of factory building
		3. Insurance of factory building
		4. Repairs and maintenance of plant and machinery
		5. Depreciation on Plant and machinery
		6. Insurance of stock
		7. Supervision
		8. Provident fund contribution
		9. Lighting and heating
		10. Canteen and staff welfare expenses

(CO4) [Knowledge]

* 1. Discuss in detail about the implementation of Activity-Based Costing (ABC) analysis benefit or challenge the operational and financial processes within an organization?

(CO5) [Knowledge]

**6.** Utilizing fictional financial data for Sunshine Industries Ltd. in 2023, employ cost accounting principles to generate a statement illustrating the following:

* 1. Establish the Prime Cost.
	2. Compute the Factory Cost.
	3. Determine the Cost of Production.
	4. Calculate the Cost of Sales.
	5. Ascertain the Net Profit.

(CO3) [Application]

**PART B**

**ANSWER ANY FOUR QUESTIONS 4Q X 10M = 40 MARKS**

**7.** A company is having three production departments namely A, B and C and two service departments S1 and S2. The expenses incurred during the month of March 2024 are as follows.

|  |  |
| --- | --- |
| **Expenses** | **Amount** |
| Supervision | 30,000 |
| Fire Insurance | 10,000 |
| Power | 18,000 |
| Light | 6,000 |
| Rent | 10,000 |
| Repair and Maintenance | 17,000 |
| Depreciation on Plant | 8,500 |

The following information is also available for above departments:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Particulars** | **Dept A** | **Dept B** | **Dept C** | **Dept S1** | **Dept S2** |
| Floor Space (Sq Ft) | 1,500 | 1,000 | 900 | 500 | 100 |
| No, of workers | 20 | 10 | 10 | 15 | 5 |
| H P of Machine | 8 | 5 | 2 |   |   |
| Direct wages | 3,000 | 2,000 | 2,000 | 1,000 | 1,000 |
| Value of Plant | 12,000 | 9,000 | 6,000 | 3,000 | 4,000 |
| Value of Stock | 15,000 | 9,000 | 6,000 | -- | -- |
| Light Points | 4 | 2 | 2 | 1 | 1 |

Prepare a statement showing Primary Distribution of Overheads.

(CO4) [Application]

1. The following transaction of Kumar and Company occur in the purchase and issue of a material: Mar 2 Purchased 4,000 units @ Rs 4.00 per unit

20 Purchased 500 units @ Rs. 5.00 per unit

April 5 Issued 2,000 units

10 Purchased 6,000 units @ Rs 6.00 per unit.

12 Issued 4,000 units.

May 02 Issued 1,000 units

05 Issued 2,000 units

15 Purchased 4,500 units @ Rs 5.50 per unit

20 Issued 3,000 units

From the above, prepare the stores ledger account using Both Simple Average and Weighted average method.

(CO2) [Application]

1. Answer the following questions,
2. Calculate the earnings of Mr. Ashok under :

 Time rate system

 Piece rate system from the following information.

Normal wages per day of 8 hours ₹24

Actual hours worked by Mr Ashok – 12 Hours Standard output per day of 8 hours – 20 hours Actual output turned out by Mr Ashok – 32 units.

B) From the following particulars calculate the total earnings of the three workers under Merrick Differential piece rate system.

 Normal rate per hour ₹ 5 per unit

Standard production per hour 10 units in an 8 hours per day

A Produced 70 units

B Produced 90 units

C Produced 65 units

D Produced 110 units

1. Provide responses to the following inquiries:
	* 1. Define cost accounting.
		2. Elaborate on two benefits of employing cost accounting.
		3. Differentiate between direct expenses and indirect expenses.
		4. Define carriage inward.
		5. Categorize supervisors' wages within the cost sheet.

(CO3) [Application]

(CO4) [Application]

1. Discuss the integration of Kaizen Costing and Activity-Based Costing (ABC) in managing and reducing costs within a manufacturing environment. In your answer:
2. Define Kaizen Costing and Activity-Based Costing (ABC).
3. Explain how Kaizen Costing can be applied to continuously improve cost management over the product lifecycle.
4. Illustrate how ABC can be utilized to allocate overhead costs more accurately compared to traditional costing methods.
5. Analyze the potential benefits and challenges of integrating Kaizen Costing with ABC analysis in a manufacturing setting.

(CO5) [Application]

1. Following transactions occur in the purchase and issue of a material: Mar 1 Opening balance - 500 units @ Rs. 4

Mar 5 Purchased - 200 units @ Rs. 4.25 Mar 12 purchased - 150 units @ Rs.4.10 Mar 20 Purchased - 300 units @ Rs.4.50 Mar 25 Purchased - 400 units @ Rs. 4

Mar 4 Issued - 200 Units

Mar 10 Issued - 400 Units

Mar 15 Issued - 100 Units

Mar 19 Issued - 100 Units

Mar 26 Issued - 200 Units

Mar 30 Issued - 250 Units

Issues are to be priced on the principle of “First In First Out” and "Last In First Out " Prepare stores ledger account in respect of the materials for the month of March 2024

(CO6) [Application]

**PART C**

**ANSWER ANY TWO QUESTIONS 2Q X 20M = 40 MARKS**

1. 1. Following data have been extracted from the books of Madhu industries Ltd. For the year 2023.

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Amount** | **Particulars** | **Amount** |
| Opening stock of Raw material | 25,000 | Indirect consumption of material | 500 |
| Purchase of Raw material | 85,000 | Salary: Office | 2,500 |
| Closing stock of raw material | 45,000 | Salary: Salesmen | 2,000 |
| Carriage inward | 5,000 | Other factory expenses | 5,700 |
| Wages- Direct | 90,000 | Other office expenses | 900 |
| Wages- Indirect | 10,000 | Managers remuneration | 12,000 |
| Rent and rates: Factory | 5,000 | Bad debts written off | 1,000 |
| Rent and rates: Office | 500 | Advertisement Expenses | 2,000 |
| Depreciation: Plant and machinery | 2000 | Travelling expenses of salesmen | 1,100 |
| Depreciation: Office furniture | 500 | Carriage and fright outward | 1,000 |
| Advance income tax paid | 15,000 | Sales | 3,50,000 |
|  |  | Cash Discount | 6,000 |

The manager has the overall charge of the company and his remuneration is to be allocated as ₹ 4,000 to the factory, ₹ 2,000 to the office and ₹ 6,000 to the selling operations.

From the above particulars prepare a statement showing a) Prime Cost, b) Factory Cost, c) Cost of Production. d) Cost of sales and e) Net profit.

(CO1) [Analysis]

1. 12. The following details are available with reference for material A during the month of March 2024.

July 1 Opening stock 500 units at Rs. 5 per unit July 2 Received 400 units at Rs. 4 per unit

July 4 Issued 350 Units

July 6 received 300 units at Rs. 3 per unit July 7 Issued 150 Units

July 8 received 500 units at Rs. 3 per unit July 10 Issued 300 Units15. 15

July 12 Issued 200 Units

July 15 Purchased 400 units at ₹ 5 per unit July 22 Issued 80 units

July 24 Returned to supplier due to damage 100 units July 26 Purchased 200 units at ₹ 3 per unit.

July 28 Shortage of 100 units.

July 30 Purchased 250 units at ₹ 2 per unit.

Ascertain the stock value on 10th Jan by preparing Stores Ledger account under FIFO and LIFO method.

(CO2) [Analysis]

1. From the following information work out of the production hour rate of recovery of overheads in department P1, P2 and P3:

**Particulars Total Production Department Service Department**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **P1** | **P2** | **P3** |  | **S1** |  | **S2** |
| Rent | 1,000 | 200 | 400 | 150 | 150 |  | 100 |  |
| Electricity | 200 | 50 | 80 | 30 | 20 |  | 20 |  |
| Fire Insurance | 400 | 80 | 160 | 60 | 60 |  | 40 |  |
| Plant depreciation | 4,000 | 1,000 | 1,500 | 1,000 | 300 |  | 200 |  |
| Transport | 400 | 50 | 50 | 50 | 100 |  | 150 |  |
| Estimated Working hours |  | 1,000 | 2,500 | 1,800 |  |  |  |  |

Expenses of service departments S1 and S2 are apportioned as under:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **P1** | **P2** | **P3** | **S1** | **S2** |
| S1 | 30% | 40% | 20% | --- | 10% |
| S2 | 10% | 20% | 50% | 20% | --- |
|  |  |  |  |  | (CO3) [Analysis] |