

10/05/25 AIN

Reg. No. :

Code No. : 12045 E Sub. Code : CMCO 52

B.Com. (CBCS) DEGREE EXAMINATION,
APRIL 2025.

Fifth Semester

Commerce — Core

COST ACCOUNTING

(For those who joined in July 2021 and 2022 only)

Time : Three hours.

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Cost accounting helps management in _____.
- (a) Making pricing decisions
 - (b) Preparing tax returns
 - (c) Auditing financial statements
 - (d) None of the above

2. Which of the following is a method of costing?
- (a) Job Costing
 - (b) Process Costing
 - (c) Batch Costing
 - (d) All of the above
3. When calculating the Economic Order Quantity (EOQ), which of the following factors is NOT considered?
- (a) Ordering costs
 - (b) Carrying costs
 - (c) Purchase price per unit
 - (d) Lead time for delivery
4. What is the primary challenge associated with the FIFO method during periods of inflation?
- (a) It leads to lower reported profits due to higher cost of goods sold
 - (b) It results in outdated inventory valuations on the balance sheet
 - (c) It can create cash flow issues due to increased tax liabilities
 - (d) It complicates the inventory management process significantly

5. What is the impact of under-absorption of overhead?
- (a) Overstatement of production costs
 - (b) Understatement of production costs
 - (c) No impact on production costs
 - (d) Reduction in labour costs
6. What is labour turnover calculated by the flux method?
- (a) $\text{Total separations} / \text{Average number of employees} \times 100$
 - (b) $(\text{Number of separations} + \text{Replacements}) / \text{Average number of employees} \times 100$
 - (c) $\text{Number of replacements} / \text{Average number of employees} \times 100$
 - (d) $(\text{Number of new hires} - \text{Separations}) / \text{Total employees} \times 100$
7. In process costing, what happens to the costs of abnormal spoilage?
- (a) They are absorbed by goods units
 - (b) They are charges to the factory overhead account
 - (c) They are ignored in the accounting records
 - (d) They are added to the cost of production

8. In process costing, how are materials issued for a particular process treated?
- They are debited to the general ledger
 - They are debited direct to the process account
 - They are recorded as overhead costs
 - They are ignored in the accounting records
9. Which of the following is a method used to allocate costs in contract costing?
- FIFO
 - LIFO
 - Proportional allocation based on work certified
 - Average cost method
10. Which of the following is classified as a running or variable charge?
- Rent
 - Salaries
 - Fuel costs
 - Insurance

PART B — (5 × 5 = 25 marks)

Answer ALL questions by choosing (a) or (b).
Each answer should not exceed 250 words.

11. (a) Describe the purpose of a cost sheet and its components.

Or

- (b) A company has the following factory overhead costs : Wages of Foreman Rs. 5,000, Electric Power Rs. 1,000, Lighting (Factory) Rs. 3,000, Storekeeper's Wages Rs. 2,000, Oil and Water Rs. 1,000, Rent (Factory) Rs. 10,000, Depreciation on plant Rs. 1,000, Consumable Store Rs. 5,000 and Repairs and Renewal of Plant Rs. 7,000. Calculate the Total Factory Overhead.

12. (a) Calculate the Inventory Turnover Ratio and interpret the result.
- Cost of opening stock of material : Rs. 60,000.
 - Cost of closing stock of material : Rs. 90,000

(iii) Purchases during the year : Rs. 5,00,000

(iv) Issues during the year : Rs. 4,50,000.

Or

(b) A company has the following inventory items :

(i) Item X : Annual usage = 1,200 units,
Cost per unit = Rs. 150

(ii) Item Y : Annual usage = 800 units, Cost
per unit = Rs. 250

(iii) Item Z : Annual usage = 400 units, Cost
per unit = Rs. 500

Calculate the annual consumption value
for each item and classify them into A, B
and C categories.

13. (a) A company employs 1,000 workers at the beginning of the month. During the month, 50 workers left the company and 100 new workers were recruited. Calculate the Labour Turnover Rate using the Separation Method, Replacement Method and Flux Method.

Or

- (b) In a factory, the following data is given :
Total factory overheads are Rs. 2,40,000 and the total machine hours are 20,000 hours. Calculate the overhead absorption rate per machine hour. How would the overhead absorption rate change if the factory operates at 80% of its capacity instead of 100%?

14. (a) A factory produces two joint products, X and Y, from a common process. The total joint costs incurred are Rs. 60,000. The sales values of products X and Y are Rs. 1,00,000 and Rs. 40,000, respectively. Calculate the joint cost allocation for each product.

Or

- (b) A manufacturing process produces a main product and a by-product. The main product has a total cost of Rs. 80,000 and the by-product is sold for Rs. 10,000. How should the by-product be accounted for in the cost of the main product?

15. (a) A contractor takes a contract for Rs. 1,00,00,000. The total cost incurred up to date is Rs. 60,00,000 and the estimated total cost to complete the contract is Rs. 30,00,000. If the work certified is Rs. 75,00,000, calculate the profit to be recognized using the percentage of completion method.

Or

- (b) A manufacturing company has the following information for the year ended March 31, 2024.

Profit as per cost accounts : Rs. 1,00,000

Profit as per financial accounts : Rs. 80,000

Overhead expenses charged in cost accounts but not in financial accounts : Rs. 15,000

Under-reported sales in cost accounts : Rs. 10,000

Depreciation charged in financial accounts but not in cost accounts : Rs. 5,000

Interest on capital not charged in cost accounts : Rs. 10,000

Prepare a reconciliation statement to explain the difference between the two profits.

PART C — (5 × 8 = 40 marks)

Answer ALL questions by choosing (a) or (b).
Each answer should not exceed 600 words.

16. (a) Analyze the importance of Costing in the Current Economic Scenario in India.

Or

- (b) Discuss the various elements of cost in cost accounting, explaining their significance in the overall cost management process.

17. (a) Given the following data, calculate the Reorder Level, Minimum Level, Maximum Level, Danger Level and Average Stock Level :

- Annual requirement : 5,000 units
- Ordering cost : Rs. 20 per order
- Purchase price per unit : Rs. 50
- Annual storage cost per unit : Rs. 5
- Lead times : Average 10 days, Maximum 15 days, Minimum 6 days, Maximum for emergency purchases 4 days
- Rate of consumption : Average 15 units per day, Maximum 20 units per day, Minimum 10 units per day.

Or

(b) A manufacturing company has the following inventory data for the year. The company wants to categorize its inventory using the ABC analysis method. Classify the items into categories A, B and C and give suggestions.

- Item 1 : Annual Consumption of 500 units, with a cost per unit of Rs. 200.
- Item 2 : Annual Consumption of 1,200 units, with a cost per unit of Rs. 100.
- Item 3 : Annual Consumption of 2,500 units, with a cost per unit of Rs. 150.
- Item 4 : Annual Consumption of 300 units, with a cost per unit of Rs. 500.
- Item 5 : Annual Consumption of 800 units, with a cost per unit of Rs. 50.

18. (a) XYZ Ltd. has the following data for April :

- Total estimated overhead : Rs. 3,00,000
- Estimated direct labor hours : 15,000 hours
- Estimated machine hours : 10,000 hours

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The company produces two products, A and B, with the following estimated direct costs :

- Product A : Direct Materials : Rs. 1,00,000, Direct Labor : Rs. 50,000
- Product B : Direct Materials : Rs. 80,000, Direct Labor : Rs. 40,000

You are required to

- (i) Calculate the overhead absorption rate using both the Direct Labor Hour Method and the Machine Hour Rate Method.
- (ii) Calculate the total cost for each product using both methods.

Or

(b) From the following data :

- (i) Calculate the total earnings of the worker under the Halsey Premium Plan.
- (ii) Calculate the total earnings of the worker under the Rowan Premium Plan.

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(iii) Calculate the total earnings of the worker under the Piece Rate System.

(iv) Determine which payment method provides the highest earnings for the worker.

Normal hourly rate : Rs. 15

Time allowed for a job : 40 hours

Time taken by the worker : 30 hours

Piece rate for units produced : Rs. 5 per unit

Units produced by the worker : 50 units

Halsey premium rate : 30% of the time saved

Rowan premium rate : 50% of the time saved

19. (a) Analyse the impact of normal loss and abnormal gain on the cost of production in a manufacturing process. Provide a detailed example to support your analysis.

Or

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(b) Discuss the accounting treatment of by-products in process costing. How do by-products affect the overall cost structure and profitability of a manufacturing process? Illustrate your answer with a relevant example.

20. (a) A contractor is working on a contract for a building project with the following details as of December 31, 2022 :

- Contract Price : Rs. 12,00,000
- Cost Incurred to Date : Rs. 7,50,00
- Cash Received : Rs. 5,00,000
- Work Certified : Rs. 9,00,000
- Degree of Completion : 75%

You have to

- (i) Calculate the estimated total cost.
- (ii) Determine the estimated profit.
- (iii) Calculate the amount to be transferred to the Profit and Loss Account.

Or

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- (b) The financial profit and loss account of ABC Manufacturing Company shows a profit of Rs. 30,000, while the cost accounts show a profit of Rs. 32,000. Given the following discrepancies: Factory expenses charged in cost accounts Rs. 25,000, Office Expenses Rs. 5,000, Selling expenses Rs. 3,000, and no interest on loans charged in cost accounts. Reconcile the profits and explain the adjustments.
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