

Reg. No. :

Code No. : 12240 E Sub. Code : CMBE 52

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

Fifth Semester

Banking and E-Commerce — Core

COST ACCOUNTING

(For those who joined in July 2021-2022 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

- 1. What is the primary purpose of cost accounting?**
 - (a) To prepare financial statements**
 - (b) To determine the cost of production**
 - (c) To calculate taxes**
 - (d) To manage cash flow**

2. Which of the following best defines cost accounting?
- (a) The process of collecting, analyzing, and reporting costs
 - (b) The process of recording financial transactions
 - (c) The preparation of budgets
 - (d) The management of financial resources
3. What is the primary purpose of material control?
- (a) To increase production speed
 - (b) To maintain optimum level of inventory
 - (c) To reduce labor costs
 - (d) To enhance marketing strategies
4. In the context of material control, what is the significance of maintaining a 'Danger Level' for inventory?
- (a) It indicates the maximum stock level that should not be exceeded
 - (b) It serves as a threshold for initiating emergency orders to avoid stock outs
 - (c) It represents the average stock level required for production
 - (d) It is the level at which materials can be discarded due to obsolescence

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5. What does 'idle time' refer to?
- (a) Time spent on breaks
 - (b) Time for which an employer pays but gets no production
 - (c) Time spent on overtime work
 - (d) Time allocated for meetings
6. What is 'overhead absorption'?
- (a) The allocation of overheads based on direct labor hours
 - (b) The spreading of overheads across different jobs or products
 - (c) The process of charging all overheads to a single job
 - (d) The removal of overheads from the cost structure
7. What is the primary objective of process costing?
- (a) To provide an average cost of product
 - (b) To track individual job costs
 - (c) To calculate fixed costs
 - (d) To assess market value

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8. What is considered normal spoilage in process costing?
- (a) Spoilage that can be reused
 - (b) Spoilage that exceeds the expected rate
 - (c) Spoilage that is absorbed by good completed units
 - (d) Spoilage that is charged to factory overhead
9. What percentage of depreciation is typically charged on plant and equipment in contract costing?
- (a) 10%
 - (b) 15%
 - (c) 20%
 - (d) 25%
10. Which of the following is classified as a fixed charge in operating costs?
- (a) Food to patients
 - (b) Staff salaries
 - (c) Laundry charges
 - (d) Doctor's fees

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PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Define cost and explain its significance in cost accounting.
- Or
- (b) Calculate the Prime Cost for a manufacturing company that incurs the following costs :
- Direct Materials amounting to Rs. 2,00,000,
Direct Wages of Rs. 50,000, and
Direct Expenses of Rs. 10,000.
- What is the total Prime Cost?
12. (a) Calculate the Economic Order Quantity (EOQ) for each price tier.
- Annual consumption of material : 6,000 units
 - Ordering cost per order : Rs. 80
 - Carrying cost: 25% of the unit cost
- Price per unit with quantity discounts :
- (i) Rs. 50 for less than 500 units
 - (ii) Rs. 48 for 500 to 1,000 units

Or

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(b) Calculate the Reorder Level (ROL) and the Minimum Level of Inventory.

- Maximum consumption : 30 units per day
- Minimum consumption : 10 units per day
- Average consumption : 20 units per day
- Maximum lead time : 10 days
- Minimum lead time : 5 days
- Safety stock : 50 units

13. (a) Explain the significance of controlling labour costs in an organisation.

Or

(b) Summarize the impact of under-absorption and over-absorption of overheads.

14. (a) A company processes 1,000 kg of raw material in Process A at a total cost of Rs. 50,000. The normal loss is estimated at 10% of the input, and the scrap value of the normal loss is Rs. 2 per kg. Calculate the following :

- (i) Total cost of normal loss.
- (ii) Effective cost per unit of the good output.

Or

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(b) A company processes 2,000 units of a product in Process B at a total cost of Rs. 80,000. The normal loss is 5% of the input, and there is an abnormal loss of 100 units. The cost per unit is calculated based on the total cost incurred. Calculate the following :

- (i) Total cost of normal loss.
- (ii) Effective cost per unit of the good output.

15. (a) A contractor is working on a contract with a price of Rs. 2,00,00,000. The expenses incurred till date are Rs. 1,20,00,000 and the work certified is Rs. 1,40,00,000. The estimated cost to complete the contract is Rs. 50,00,000. Calculate the profit to be recognized.

Or

(b) A logistics company operates a fleet of 15 trucks. The following costs were incurred in a month :

- (i) Fixed costs (depreciation, insurance, and salaries) : Rs. 3,00,000
 - (ii) Variable costs (fuel, maintenance, and tolls) : Rs. 2,00,000
 - (iii) Total distance travelled by all trucks : 1,50,000 km
 - (iv) Total weight transported : 75,000 tonnes
- Calculate the cost per tonne per km and the total cost per km.

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PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Examine the objectives of Cost Accounting and their Impact on Business Operations.

Or

- (b) Evaluate the characteristics of an Ideal Cost Accounting System.

17. (a) Discuss the various methods of inventory valuation and their impact on financial statements.

Or

- (b) Explain the impact of carrying costs on inventory management decisions.

18. (a) X, Y and Z are three workers working in a manufacturing company and their output during a particular 40 hours week was, 96, 111 and 126 units, respectively. The guaranteed rate per hour is Rs. 10 per hour, and low piece rate is Rs. 4 per unit, high piece rate is Rs. 6 per unit. The high task is 100 units per week.

Compute the total earnings and labor cost per unit under the Taylor, Merrick and Gantt Task Bonus Plan.

Or

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- (b) A company has the following data for the year :

(i) Budgeted overheads : Rs. 5,00,000

(ii) Actual overheads incurred : Rs. 5,50,000

(iii) Budgeted direct labor hours : 25,000 hours

(iv) Actual direct labor hours : 30,000 hours

The company produces two products, X and Y, with the following budgeted direct costs :

(1) Product X : Direct Materials :
Rs. 2,00,000, Direct Labor :
Rs. 1,00,000

(2) Product Y : Direct Materials :
Rs. 1,50,000, Direct Labor :
Rs. 80,000

You have to calculate the following :

(A) Calculate the overhead absorption rate based on budgeted direct labor hours.

(B) Determine the under or over-absorption of overheads.

(C) Calculate the total cost for each product.

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19. (a) A company produces a product through three processes : A, B, and C. The following data is available for March :

Process A	Process B	Process A
Input: 2,000 kg of raw material at 10 per kg	Input: 1,800 kg from Process A	Input: 1,620 kg from Process B
Direct labor : 15,000	Direct labor: 12,000	Direct labor: 10,000
Overheads : 5,000	Overheads : 4,000	Overheads : 3,000
Normal loss : 5%	Normal loss : 10%	Normal loss : 15%
Output : 1,800 kg	Output : 1,620 kg	Output : 1,377 kg

Prepare the process accounts for each process and calculate the cost per unit at each stage.

Or

- (b) A factory processes 1,000 kg of raw material into two main products (Product X and Product Y) and a by-product (Product Z).

The costs incurred are :

- (i) Raw materials : Rs. 20,000
- (ii) Direct labour : Rs. 10,000
- (iii) Overheads : Rs. 5,000
- (iv) Normal loss : 10% of input.

The outputs are :

- (1) Product X : 600 kg
- (2) Product Y : 300 kg
- (3) By-product Z : 100 kg (realized at Rs. 5 per kg) Prepare a joint cost allocation and calculate the cost per unit for each product.

20. (a) A construction company has two contracts (A and B) with the following details as of March 31, 2024 :

Contract	Contract Price (Rs.)	Cost incurred to Date (Rs.)	Cash Received (Rs.)	Work Certified (Rs.)	Degree of Completion (%)
A	8,00,000	4,50,000	3,00,000	6,00,000	75
B	10,00,000	5,00,000	4,00,000	7,00,000	70

Tasks :

- (i) Calculate the estimated profit for each contract.
- (ii) Determine the amount to be transferred to the Profit & Loss Account for each contract.

Or

- (b) Kartik Transport Company operates a fleet of 5 trucks. Each truck runs an average of 1,000 kilometres per month. The following costs are incurred monthly : Garage Rent : Rs. 10,000, Insurance Premium : Rs. 5,000, Depreciation : Rs. 20,000, Wages : Rs. 15,000, Petrol and Oil : Rs. 30,000, Repairs : Rs. 10,000, and Miscellaneous Expenses : Rs. 5,000. Calculate the total operating cost per kilometre for the fleet and discuss the implications of these costs on the company's pricing strategy.
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