

**II/BCO (vii)**

**2010**

**COMMERCE**

Paper : BC-2.3

**( Cost Accounting and Auditing )**

*Full Marks : 100*

*Pass Marks : 30*

*Time : 3 hours*

**( PART : B—DESCRIPTIVE )**

*( Marks : 60 )*

*The figures in the margin indicate full marks  
for the questions*

Answer *any three* questions

1. (a) Define the term 'cost'. What are the different elements of cost? 5

(b) Mr. Siama, a workman, manufactured 500 units of an article during the third week of January 2010. The estimated time to produce one article is 15 minutes and under incentive scheme, the time allowed is increased by 20%.

Calculate his wage if he is paid at the rate of Rs 4 per hour with a guaranteed time of 48 hours per week using the following wage payment systems :

$$5+5+5=15$$

- (i) Piece rate with a guaranteed weekly rate
- (ii) Halsey premium plan (bonus of 50% to labour)
- (iii) Rowan premium plan

2. XYZ Co. Ltd. got a contract amounting Rs 10,00,000 for which 80% of the value of work-in-progress as certified by the architect is being paid by the contractee.

The value of the plant at the end of first, second and third year was Rs 11,200, Rs 7,000 and Rs 3,000, respectively.

Prepare a Contract A/c for these years using the following information : 20

Particulars	1st Year	2nd Year	3rd Year
	Rs	Rs	Rs
Materials issued	1,20,000	1,45,000	84,000
Direct wages	1,10,000	1,55,000	1,10,000
Direct expenses	5,000	17,000	6,000
Indirect expenses	2,000	2,600	500
Work certified	2,35,000	7,50,000	10,00,000
Work uncertified	2,800	8,000	—
Plant issued	14,000	—	—
Materials at site	2,000	5,000	8,000

3. The following particulars were obtained from the books of ABC Ltd. for the year ended 31st March, 2008 :

	Rs
Direct Material	9,00,000
Direct Wages	7,50,000
Profit	6,09,000
Selling and Administration Overheads	5,25,000
Factory Overheads	4,20,000
	4,50,000

In the next year ABC Ltd. received orders for a number of jobs. It is estimated that the direct materials would be Rs 12,00,000 and direct labour would cost Rs 7,50,000. What would be the price of these jobs if the factory intends to earn the same rate of profit on sales, assuming that the selling and distribution overheads has gone up by 15%. The company recovers the cost of factory overheads as a percentage of direct wages while administrative and selling and distribution overheads are taken from a percentage of works cost, based on the cost rates prevalent in the previous year.

Prepare a Cost Sheet for the years 2008 and 2009. 20

4. (a) Define the term 'Audit'. What are the different types of audit? 15
- (b) State the importance of verification and valuation of assets from the point of view of an auditor. 5

5. (a) Differentiate between Internal Audit and Statutory Audit. 5
- (b) What is an audit programme? What are its advantages and disadvantages? 10
- (c) Describe the various types of errors that could be found in auditing a firm's account. 5

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2010

COMMERCE

Paper : BC-2.3

( Cost Accounting and Auditing )

( PART : A—OBJECTIVE )

( Marks : 40 )

*The figures in the margin indicate full marks for the questions*

SECTION—I

( Marks : 10 )

1. State whether the following statements are *True (T)* or *False (F)* by a Tick (✓) mark : 1×4=4

(a) Variable cost is fixed per unit.

( T / F )

(b) The cost of raw materials is the largest element of cost.

( T / F )

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(c) LIFO method of material pricing is advisable in case of falling prices.

( T / F )

(d) Bin card is maintained by the office administration department.

( T / F )

2. Fill in the blanks :

1×3=3

(a) Cost Accounting is a positive as well as  
..... science.

(b) ..... are products which can be rectified at an extra cost of operation on it.

(c) ..... costing is used when production involves limited repetition of work or definite number of articles.

3. Choose the correct answer and place its code in the brackets provided : 1×3=3

(a) If more than one-fourth but less than one-half of the contract is certified, the amount of notional profit credited to Profit & Loss A/c is

(i)  $\frac{3}{2}$

(ii)  $\frac{5}{3}$

(iii)  $\frac{1}{3}$

(iv)  $\frac{1}{2}$

[       ]

(b) The efficiency level in which the Basic rate (Normal rate) is given under Merrick Differential Piece Rate System is

(i) above 100%

(ii) up to 83%

(iii) from 75% to 100%

(iv) Above 90%

[       ]

(c) The rate of change of labour force is called

(i) labour turnover

(ii) idle labour

(iii) attrition

(iv) None of the above

[       ]

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SECTION—II

( Marks : 30 )

Write notes on the following in not more than 5 sentences  
each :

3×10=30

1. Bin Card



2. Wastage

3. Economic Order Quantity

4. Process Costing

5. Costs of Labour Turnover

6. Treatment of Over-absorption

7. Continuous Audit

8. Vouching

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9. Internal Check



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10. Errors of Commission

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