

**III/BCO (x)**

**2007**

**COMMERCE**

**( Cost Accounting and Income Tax )**

*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) From the following information, prepare a Cost Sheet showing—
  - (i) the value of raw materials consumed;
  - (ii) the prime cost;
  - (iii) the works cost;

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*( Turn Over )*

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(iv) the cost of production;

(v) the cost of sales : 15

	1-1-2004	31-12-2004
	Rs	Rs
Stock of Raw Materials	32,000	36,000
Work-in-progress	16,500	21,500
Stock of Finished Goods	44,200	54,600

	Rs
Indirect Wages	9,800
Sales	3,30,000
Factory Rent and Rates	7,850
Office Salaries	15,100
General Expenses	13,700
Office Rent	2,200
Rent of Showroom	1,300
Purchase of Raw Materials	1,21,000
Productive Wages	90,000
Plant Repair	3,450
Depreciation of Plant	8,380
Factory Lighting	7,400
Salesmen's Salaries	7,700

(b) Discuss the limitations of Cost Accounting. 5

2. (a) The following transactions took place in respect of an item of material :

	<i>Receipts</i> (Quantity)	<i>Rate</i> (Rs)	<i>Issue</i> (Quantity)
2-9-2005	200	2.00	—
10-9-2005	300	2.40	—
15-9-2005	—	—	250
18-9-2005	250	2.60	—
20-9-2005	—	—	200

Record the above transactions in the Stores Ledger, pricing the issues at—

- (i) simple average rate;
- (ii) weighted average rate. 10
- (b) How are incentive wages calculated under Halsey and Rowan incentive schemes of wage payment? Explain the difference between them and the advantages to the worker under these two methods of incentive payment. 10

3. A product passes through three Processes I, II and III. The details of expenses incurred on

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the three processes during the year 2005 were as under :

	I	II	III
Units issued	1000	—	—
	Rs	Rs	Rs
Cost per unit	50	—	—
Sundry Materials	1,600	3,315	3,220
Labour	2,600	8,000	6,392
Sale Price of Output (per unit)	70	100	200

Actual outputs of the three processes were : Process I—930 units; Process II—540 units; Process III—210 units. Two-thirds of the output of Process I and one-half of the output of Process II was passed on to the next process and the balance was sold. The entire output of Process III was sold. The normal loss of the three processes, calculated on the input of every process was : Process I—5%; Process II—15%; and process III—20%. The loss of Process I was sold at Re 1 per unit, that of Process II at Rs 3 per unit and that of Process III at Rs 6 per unit. Selling expenses were Rs 9,000. These are not allocable to the processes.

Prepare the 3 (three) Process Accounts and the Profit & Loss A/c.

20

4. (a) From the following information, compute the Machine Hour Rate : 10

- (i) Purchase price of the machine with scrap value of zero Rs 90,000
- (ii) Installation and incidental charges incurred on the machine Rs 10,000
- (iii) Life of the machine is 10 years of 2000 working hours each
- (iv) Repairing charges 50% of depreciation
- (v) Machine consumes 10 units of electric power per hour @ 10 paise per unit
- (vi) Oil expenses @ Rs 2 per day of eight hours
- (vii) Consumable stores @ Rs 10 per day of eight hours
- (viii) The operators are engaged on the machine @ Rs 4 per day of eight hours

(b) AB Limited took a construction contract in 2002. The contract price was Rs 5,00,000. At the end of 2004, the company has received Rs 1,80,000 representing 90% of work certified. Work not yet certified had cost Rs 5,000.

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Expenditure incurred on the contract during 2004 was :

	Rs
Materials	25,000
Labour	1,50,000
Plant	10,000

Materials costing Rs 2,500 were damaged and had to be disposed for Rs 500. Plant as considered as having depreciated by 25 percent.

Prepare Contract Account for 2004 showing the profit to be credited to Profit and Loss Account. 10

5. (a) What conditions must be satisfied by an assessee to be entitled 'not ordinarily resident'? 8
- (b) Write short notes on : 3×4=12
- (i) Rent-free Accommodation
  - (ii) Recognised Provident Fund
  - (iii) House Rent Allowance
  - (iv) Agricultural Income

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2007

**COMMERCE**

**( Cost Accounting and Income Tax )**

( PART : A—OBJECTIVE )

( Marks : 40 )

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

Answer **all** questions

SECTION—I

( Marks : 10 )

1. State whether the following statements are *True (T)* or *False (F)* by a Tick (✓) mark : 1×5=5

(a) Cost accounting is nothing but a post-mortem of past costs.

( T / F )

(b) Assuming inflation if a company wants to maximize net income it would select FIFO as a method of pricing raw material.

( T / F )

(c) Overtime premium paid to all factory workers is usually considered direct labour.

( T / F )

(d) Controlling costs in case of job costing is more difficult as compared to controlling costs in case of contract costing.

( T / F )

(e) Basis of apportionment of depreciation of plants is values of plants in each department.

( T / F )



2. Choose the appropriate answer and place its code in the brackets provided : 1×5=5

(a) Wages Sheet is prepared by

- (i) personnel department
- (ii) payroll department
- (iii) cost accounting department
- (iv) engineering department

( )

(b) The formula for the calculation of economic ordering quantity is

(i)  $EOQ = \sqrt{\frac{CO \cdot 2}{1}}$

(ii)  $EOQ = \sqrt{\frac{CO}{1}}$

(iii)  $EOQ = \sqrt{\frac{2CO}{1}}$

(iv)  $EOQ = \sqrt{\frac{2CO}{21}}$

( )

(c) Primary packing is an item of

- (i) selling overheads
- (ii) prime cost
- (iii) administrative overheads
- (iv) distribution overheads

( )

(d) Contract costing is a basic method of

- (i) specific-order costing
- (ii) service costing
- (iii) one-operation costing
- (iv) special costing

( )

(e) Which of the following methods of costing is applied in meat products factory?

- (i) Job costing
- (ii) Farm costing
- (iii) Multiple costing
- (iv) Process costing

( )

( 5 )

SECTION—II

( Marks : 30 )

3. Write on the following in not more than 5 sentences  
each : 2×15=30

(a) Limitations of Financial Accounting

(b) Distinction between Cost Accounting and Management Accounting

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(c) Cost Sheet

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(d) Bin Card

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(e) First In First Out (FIFO)

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(f) Effects of Labour Turnover



(g) Idle Time

(h) Classification of Overhead Costs

(i) Features of Job Costing

(j) Features of Batch Costing

(k) Assessee

(l) Assessment Year

(m) Resident and Ordinary Resident

(n) Entertainment Allowance

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(o) Machine Hour Rate

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