



UNIVERSITY OF NORTH BENGAL
B.Com. Honours 4th Semester Examination, 2021

CC8-COMMERCE

COST ACCOUNTING

Full Marks: 60

ASSIGNMENT

*The figures in the margin indicate full marks.
All symbols are of usual significance.*

Answer all the questions

15×4 = 60

1. (a) Alpha Ltd. manufactures a product from a raw material which is purchased at ₹60 per kg. The company incurs handling charges of ₹750 per order. The incremental carrying cost of inventory of raw material is ₹0.50 per kg per month. In addition, the company needs working capital finance on such investment in inventory of raw materials which is ₹2.25 per kg per quarter. The annual production of the product is 1,00,000 units and 25 units are obtained from 10 kg of such raw materials. 3+3+4 = 10

In the above situation, as a cost accountant, you have asked by the management of the company to present a report before them stating—

- (i) the quantity of raw materials that should be ordered to get the advantage of economy of cost,
- (ii) how frequently should orders for procurement be placed and
- (iii) if the company proposes to rationalize placement of orders on quarterly basis, what percentage of discount in the price of raw materials should be negotiated?

- (b) Using Taylor's Differential Piece Rate System, find the earning of worker A from the following particulars: 5

Standard time per piece	12 minutes
Normal rate per hour	₹20
In an 8 hours day, worker A produced	37 units

2. Briefly discuss the factors which are to be considered before installing a system of cost accounting in a manufacturing organisation. What kind of practical difficulties you can expect in this process and what advice will you give to the management to overcome the same? 8+7
3. The finished product of a manufacturing company passes through three processes, viz., I, II and III. The normal wastage in each process is 5%, 7% and 10% respectively. The scrap generated out of wastage has a sale value of 70 15

paise per unit, 90 paise per unit and Rupee 1 per unit in the processes I, II and III respectively. The output of each process is transferred to the next process and the finished output emerges from the process III and transferred to stock. There was no stock of work-in-progress in any process in a particular month. The details of cost data for the month are given below:

	<u>Processes</u>		
	I	II	III
Materials used (Rs.)	1,20,000	40,000	40,000
Direct labour cost (Rs.)	80,000	60,000	60,000
Production expenses (Rs.)	40,000	40,000	28,000
Output in units (actual)	38,000	34,600	32,000

Process I was started with 40,000 units of raw input at a cost of ₹3,31,400. Prepare the process accounts and show the workings in detail.

4. The following figures were available in respect of a company for the year ended 31st March 2018:

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	<u>Financial Accounts</u>	<u>Cost Accounts</u>
	(₹)	(₹)
Opening Stock:		
Raw Material	6,000	5,000
Work-in-Progress	7,000	6,500
Finished Stock	5,000	4,500
Closing Stock:		
Raw Material	4,000	4,300
Work-in-Progress	3,000	3,700
Finished Stock	5,900	6,200
Purchases	50,000	
Direct wages	30,000	
Factory expenses	20,000	21,000 (absorbed)
Sales	1,30,000	
Administration expenses	3,000	2,300 (absorbed)
Selling expenses	4,000	4,500 (absorbed)
Financial expenses	1,000	
Interest and Dividends received	1,600	

Compute profit in Financial Accounts as well as in Cost Accounts and prepare a Reconciliation Statement clearly showing the reasons for the variation of the two profit figures.

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