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QP code:- 35593

BFM (Financial Management) COST ACCOUNT - ANSWER KEY PAPER SEM IV 2018

Q1. Multiple Choice Based Questions

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A) Fill In The Blanks. (Any 8 from the following)

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- 1) Direct Cost 2) Total Cost 3) Financial Profit 4) Imputed Cost 5) Contract A/c.
6) Credited to contract A/c. 7) Non -Controllable 8) 6000 9) 27, 50,000 10) Abnormal.

B) Match the following (Any Seven)

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- 1- f, 2-g, 3-h, 4-i, 5-b, 6-c, 7-d, 8-e, 9-j, 10-a

Q2.

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A)

M/s. Jhanavi Manufacturing Company Ltd. for the year ended 31/03/2018.

Particular	Rs.	Rs.
<u>Direct Material Consumed (A) :-</u>		
Opening Stock of Raw Materials	4,70,000	
ADD:- Raw Material purchases	20,80,000	
Add:-Carriage Inwards	82,000	
LESS :- Closing Stock of Raw Materials	(5,00,000)	
Total Direct Material Consumed		21,32,000
<u>Direct Labour/ Wages (B):-</u>		
Productive Wages		14,00,000
<u>Direct Expenses (C):-</u>		
Royalty on Production		1,40,000
PRIME COST (A+B+C)		36,72,000
<u>ADD:- Factory / Works Overheads:-</u>		
Drawing on Office Salaries	96,000	
Repairs to Plant & Machinery	1,06,000	
Rent, Rates & Taxes (Factory)	30,000	
Depreciation on Plant & Machinery	71,000	
Gas & Water Charges (Factory)	15,000	

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Manager's Salaries (5/6 X 120,000)	1,00,000	
Loose Tools written off	16,000	4,34,000
WORKS/ FACTORY COST		41,06,000
<u>ADD:- Office & Administrative Overheads</u>		
Rent, Rates & Taxes (Office)	16,000	
Depreciation on Office Furniture	6,000	
Directors Fees	60,000	
Gas & Water Charges (Office)	3,000	
Manager's Salaries (1/6 X 120,000)	20,000	
Office Conveyance	31,000	1,36,000
COST OF PRODUCTION / COGS		42,42,000
<u>ADD:- Selling & Distribution Overheads</u>		
Salesman Salaries & Commission	84,000	
Catalogues Printing Cost	20,000	
Trade Fair Expenses	20,000	1,24,000
TOTAL COST / COST OF SALES		43,66,000
ADD:- PROFIT (10 % on Cost		4,36,600
SALES (110% On Cost)		48,02,600

Note: - Cash Discount Allowed is a Financial Transaction which will not appear in cost Sheet of Rs. 34,000.

OR

Q2.

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B) M/s Neha Karania Enterprises Ltd. for the Year ended on 31st December, 2017.

Particular	Rs.	Rs.
<u>Direct Material Consumed (A) :-</u>		
Opening Stock of Raw Materials	5,40,000	

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ADD:- Raw Material purchases	24,96,000	
Add:-Carriage Inwards	96,000	
LESS :- Closing Stock of Raw Materials	(600000)	
Total Direct Material Consumed		2532000
<u>Direct Labour/ Wages (B):-</u>		715200
<u>Direct Expenses (C):-</u>		240000
PRIME COST (A+B+C)		34,87,200
<u>ADD:- Factory / Works Overheads:-</u>		
Indirect Wages	48,000	
Fuel	192,000	
Electricity	144,000	
Repairs on Plant	126,000	
Factory Rent	36,000	
Manager's Salaries (20%)	28,800	
Depreciation on Plant	90,000	664,800
WORKS/ FACTORY COST		41,52,000
<u>ADD:- Office & Administrative Overheads</u>		
Salaries to Staff	120,000	
General Charges	74,400	
Directors Fees	72,000	
Office Rent	19,200	
Depreciation on Office Furniture	7,200	
Manager's Salaries (80%)	115,200	
Audit Fees	36,000	4,44,000
COST OF PRODUCTION / COGS		45,96,000
<u>ADD:- Selling & Distribution Overheads</u>		

(4)

Salesman Salaries	100,000	
Carriage Outward (75000-15000)	60,000	
Commission on Sales	56,000	2,16,000
TOTAL COST / COST OF SALES		48,12,000
ADD:- PROFIT (10 % on Cost		9,62,400
SALES (110% On Cost)		57,74,400

Note: - Legal Charges for Criminal Suit allowable as expenses is a Financial Transaction which will not appear in Cost Sheet of Rs. 40,000.

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Q3.

A) Mr. Vivek Roy Contract A/c for the Year Ended 31/12/2017.

Particular	Rs.	Particular	Rs.
To Direct Material	4,80,000	By Material Returns to Store	30,000
To Material issued from Store	6,00,000	<u>By Work in Progress:-</u>	
To Labour	180,000	Work Certified (12,00,000 X 100/80)	15,00,000
<u>Add:- O/s Wages</u>	<u>36,000</u>	Work Uncertified	3,00,000
To Direct Expenses	1,20,000	By Loss by Theft (Plant)	40,000
<u>Add:- Accrued Expenses</u>	<u>48,000</u>	By Plant at End on Site	160,000
To Establishment Expenses	30,000	By Stock of Material at End	12,000
To Plant Installed at Site	2,40,000		
To Notional Profit	3,08,000		
	20,42,000		20,42,000
To Profit & Loss A/c	1,64,267	By Notional Profit	3,08,000
To Work in Progress Reserve	1,43,733		

Note:- 1) Value of Plant at Site:-

Cost of Plant Sent to Site:-	Rs. 2,40,000.
<u>Less:- Cost of Plant stolen:-</u>	<u>Rs. 40,000</u>
Cost of Plant At Site	Rs. 2,00,000
<u>Less:- Depreciation @20%</u>	<u>Rs 40,000</u>
<u>Cost of plant At Site at End</u>	<u>Rs 1,60,000</u>

$$\begin{aligned}
 2) \text{ Profit} &= \frac{2}{3} \times \text{Notional Profit} \times \text{Cash Received/ Work Certified.} \\
 &= \frac{2}{3} \times 3,08,000 \times 80\% \\
 &= \text{Rs. 1,64,267}
 \end{aligned}$$

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Balance Sheet As on 31/12/2017

Liabilities	Rs.	Assets	Rs.
To Profit & Loss A/c	1,64,267	<u>By Work in Progress:-</u>	
Less:- Loss by Fire	16,000	Work Certified	15,00,000
	148,267	Work Uncertified	3,00,000
Expenses Payable		Less:- Reserve	(1,43,733)
O/s Wages	36,000	<u>Less:- Cash Received</u>	(12,00,000)
Accrued Expenses	48,000	By Plant at End on Site	1,60,000
	84,000	By Stock of Material at End	12,000
			4,56,267

Q3. Solve Any 1

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B) M/s Reliable Construction Company Ltd for the year ended 31/12/2017.

Particular	Rs.	Particular	Rs.
To Direct Material Purchase	2,00,000	By Loss by Fire (P & L A/c)	4,000
To Material issued from Store	50,000	<u>By Work in Progress:-</u>	
To Labour / Wages	160,000	Work Certified	6,00,000
<u>Add:- Accrued Wages</u>	10,000	Work Uncertified	12,000
To Direct Expenses	24,000	By Stock of Material at End	8,000
To Depreciation on Plant	20,000		
To General Overheads	6,000		
To Notional Profit	1,66,000		
	6,24,000		6,24,000
To Profit & Loss A/c	99,600	By Notional Profit	1,66,000
To Work in Progress Reserve	66,400		

Note: - 1) % of Work Certified = $\frac{\text{Work Certified}}{\text{Contract Price}} \times 100$
 $= \frac{6,00,000}{10,00,000} \times 100$
 $= 60\%$

2) Profit & Loss A/c = $\frac{2}{3} \times \text{Notional Profit} \times \frac{\text{Cash Received}}{\text{Work Certified}}$
 $= \frac{2}{3} \times 166,000 \times 90\%$ (100% Work Completed - 10% Retention Money)

Profit & Loss A/c = Rs. 99,600

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Abnormal Gain A/c

Particular	Units	RS.	Particular	Units	Rs.
To Normal Loss A/c Sale (Rs. 2/ Unit)	400	800	By Process B A/c	400	1570
By Profit & Loss A/c	-	770			
	<u>400</u>	<u>1570</u>		<u>400</u>	<u>1570</u>

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Q4. Solve Any 1

B) M/s Laxmi Ltd. For the year ended on 31/12/2017

Particular	Rs.	Rs.
Profit as per Cost A/c		24,000
Add:-		
a) Over recovery of Direct Expenses	1,000	
b) Over recovery of Office & Administrative	2,000	
c) Dividend received Unrecorded	<u>2,000</u>	<u>5,000</u>
		29,000
Less:--		
a) Under Recovery of Direct Labour	2,000	
b) Under Recovery of Selling & Distribution	4,000	
c) Expenses Unrecorded in Cost A/c	<u>4,000</u>	<u>10,000</u>
		19,000
Profit as per Financial A/c		19,000

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Q4. Solve Any 1

C) M/s Manish Manufacturing Ltd. for the Month of March 2018.

Process A A/c

Particular	Liters	RS.	Particular	Liters	Rs.
To Material	8,000	7,68,000	By Normal Loss (4%)	320	-
To Labour		1,53,600	By Process B A/c @ 50%	3840	5,79,840
To Direct Expenses		1,68,000	By Warehouse A/c @ 50%	3840	5,79,840
To Production O/h		70,080			
	<u>8,000</u>	<u>11,59,680</u>		<u>8,000</u>	<u>11,59,680</u>

Process B A/c

Particular	Liters	RS.	Particular	Liters	Rs.
To Process A A/c	3,840	5,79,840	By Normal Loss (5%)	400	1,200
To Material	4,160	3,76,000	By Warehouse A/c @ 60%	4,560	8,20,800
To Labour		1,52,000	By Process C A/c @ 40%	3,040	5,47,200
To Direct Expenses		1,76,000	(8000-400=7600 Output)		

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Balance Sheet As on 31/12/2017

Liabilities		Rs.	Assets		Rs.
To Profit & Loss A/c	99,600	95,600	Work Certified	6,00,000	5,600
Less:- Loss by Fire	4,000		Work Uncertified	12,000	
				6,12,000	
			Less:- WIP Reserve	(66,400)	
			Less:- Cash Received	(5,40,000)	
Accrued Wages		10,000	Stock of Material at End		8,000

Q4. Solve Any 1

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A) M/s Bombay Chemicals Ltd for the Month of March 2018.

Process A A/c

Particular	Units	RS.	Particular	Units	Rs.
To Material	40,000	60,000	By Normal Loss (10%)	4,000	4,000
To Labour		20,000	By Abnormal Loss @ Rs 2.50	1000	2,500
To Overheads		14,000	By Process B A/c @ Rs 2.50	35,000	87,500
	<u>40,000</u>	<u>94,000</u>		<u>40,000</u>	<u>94,000</u>

Process B A/c

Particular	Units	RS.	Particular	Units	Rs.
To Process A A/c	35,000	87,500	By Normal Loss (4%)	1,400	2,800
To Material		6,000	By Finished Goods A/c	34,000	1,33,470
To Labour		24,000	@ 3.9256		
To Overheads		17,200			
To Abnormal Gain A/c	400	1,570			
	<u>35,400</u>	<u>1,36,270</u>		<u>35,400</u>	<u>1,36,270</u>

Abnormal Loss A/c

Particular	Units	RS.	Particular	Units	Rs.
To Process A A/c	1,000	2,500	By Bank A/c (Rs. 1 per Unit)	1000	1000
			By Profit & Loss A/c	-	1500
	<u>1000</u>	<u>2500</u>		<u>1000</u>	<u>2500</u>

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To Production O/h		85,360		
	8,000	13,69,200		8,000 13,69,200

Process C A/c

Particular	Liters	RS.	Particular	Liters	Rs.
To Process B A/c	3,040	5,47,200	By Normal Loss (5%)	320	-
To Material	3,360	1,20,000	By Warehouse A/c @ 100%	6,080	9,72,800
To Labour		44,000			
To Direct Expenses		1,99,440			
To Production O/h		62,160			
	6,400	9,72,800		6,400	9,72,800

Q4.

D) M/s Dharmesh Ltd. for the year ended 31/03/2017.

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Particular	Rs.	Rs.
Profit as per Cost A/c		59,200
Add:-		
a) Dividend received credited only Financial A/c	80,000	
b) Direct wages Over Recorded in Cost A/c's	6,000	
		<u>86000</u>
		1,45,200
Less:--		
a) Bank charges only Financial A/c	4,000	
b) Income Tax Only Financial A/c	46,000	
c) Factory O/h Under recovered in Cost A/c	4,000	
d) Administrative O/h Under recovered in Cost A/c	2,000	
e) Selling & Distribution O/h Under recovered in Cost	1,200	
f) Closing Stock Over Valued in Cost	18,000	
		(75,200)
Profit as per Financial A/c		70,000

Q5. Attempt from the following

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A) Meaning of Cost Accounting & Importance of cost Accounting.

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B) The need & Importance of reconciliation between Cost and Financial A/c.

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OR

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Q5. Write Short Notes on any 3 from the following.

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- 1) Features of Contract Costing
 - 2) Abnormal Loss & Abnormal Gain
 - 3) Classification of cost as behavior
 - 4) Importance of Process Costing
 - 5) Give any Five Examples of Reconciliation Items recorded only in Financial A/c.
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