

**Goa Vidyaprasarak Mandal's**  
**GOPAL GOVIND POY RAITURCAR COLLEGE OF COMMERCE AND**  
**ECONOMICS, PONDA- GOA**  
**B.COM. (SEMESTER-III) CHOICE BASED CREDIT SYSTEM**  
**EXAMINATION, OCTOBER 2018**  
**FUNDAMENTALS OF COST ACCOUNT**

**Duration: 2 Hours**

**Marks: 80**

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***Instructions:***

1. *Question No. 1 is compulsory.*
2. *Answer any three questions from Q. No. 2 to Q. No. 6.*
3. *Figures to the right indicate the marks allotted to the questions.*
4. *Give **working notes** wherever necessary.*

**Q1. (20)**

M & S undertook a contract for erecting a sewerage treatment plant for a municipality for a total value of `24,00,000. It was expected that the contract would be completed by 31<sup>st</sup> March, 2018.

- a. Wages paid during the year ` 5,70,000
- b. Accrued wages as on 31/3/2018 ` 30,000
- c. Special plants installed at site ` 2,00,000
- d. Materials ` 3,00,000
- e. Overheads ` 1,20,000
- f. Depreciation @ 10% to be provided on plant
- g. Materials lying at site 31/3/2018 `40,000
- h. Work certified was to the extent of `16,00,000 and 80% of the same was received in cash
- i. Work uncertified will be ` 58,200.

You are required to prepare a contract account for the year ending 31<sup>st</sup> March, 2018 and a balance sheet extract from the particulars mentioned above.

**Q2. (20)**

The following cost data is available from the books for the year ended 31<sup>st</sup> March, 2018:

- a. Direct material ` 4,50,000
  - b. Direct wages ` 3,75,000
  - c. Profit ` 3,04,500
  - d. Selling and distribution overheads ` 2,62,500
  - e. Administrative overheads ` 2,10,000
  - f. Factory overheads ` 2,25,000
- i. Prepare a cost sheet indicating the prime cost, works cost, production cost, cost of sales and sales value.
  - ii. In 2018-19, the factory received an order for a number of jobs. It is estimated that the direct materials would be 6,00,000 and direct labour would cost ` 3,75,000. What would be the price for these jobs if the factory intends to earn the same rate of profit on sales, assuming that the factory recovers factory overhead as a percentage of direct wages and administrative and selling and distribution overheads as a percentage of works cost, based on the cost rates prevalent in the previous year.

Q3.

(20)

A product passes through three processes- A, B and C. The details of expenses incurred on the three processes during the year 2017-18 were as under:

Processes	A	B	C
Units introduced	1,000 units	-	-
Cost per unit	₹50	-	-
Material	₹1,000	₹1,500	₹500
Labour	₹2,600	₹8,000	₹6,392
Expenses	₹600	₹8,815	₹2,720
Selling price per unit	₹70	₹100	₹200

Actual output of the three processes were:

A: 930 units

B: 540 units

C: 210 units

Two thirds of the output of process A and half of the output of process B was passed on to the next process and the balance was sold. The entire output of process C was sold.

The normal loss of the three processes, calculated on the input of every process was:

Process A: 5%, process B: 15%, process C: 20%.

The loss of process A was sold at ₹1 per unit, that of process B was sold at ₹3 per unit and that of process C at ₹6 per unit.

Selling and distribution expenses during the year were ₹10,000. These are not allocable to the processes but to be considered while drawing the income statement.

Prepare the three process accounts and the profit and loss account.

Q4.

(20)

The following is the trial balance of Palmer Constructions engaged on the execution of Contract No. 1057 for the year end 31<sup>st</sup> March, 2018.

Particulars	₹	₹
Contractee's account (Amount received)		9,00,000
Buildings	4,80,000	
Creditors		2,16,000
Bank Balance	1,05,000	
Capital Account		15,00,000
Materials	6,00,000	
Wages	5,40,000	
Expenses	1,41,000	
Plant	7,50,000	
	26,16,000	26,16,000

The work on Contract No. 1057 was commenced on 1<sup>st</sup> April, 2017. Materials costing ₹5,10,000 were sent to the site of the contract out of which that of ₹18,000 were destroyed in an accident. Wages of ₹5,40,000 were paid during the year. Plant costing ₹1,50,000 was used on the contract throughout the year. Plant with a cost of ₹6,00,000 was used from 1<sup>st</sup> April to 31<sup>st</sup> December and was then returned to stores. Materials of the cost of ₹12,000 were at site on 31<sup>st</sup> March, 2018.

The contract was for ₹18,00,000 and the contractee pays 75% of the work certified. Work certified was 80% of the total contract work at the end of 2018. Uncertified work was estimated at ₹45,000 on 31<sup>st</sup> March, 2018. Expenses are charged to contract at 25% of wages. Plant is to be depreciated at 10% p.a.

Prepare contract No. 1057 account for the year 2018 and make out the balance sheet as on 31<sup>st</sup> March, 2018 in the books of Palmer Constructions.

Q5.

Answer the following:

(2 x 10)

- I. From the following information, prepare a cost sheet:
  - a. Raw material- Opening ` 59,000, Closing ` 72,000
  - b. Work in progress:
    - i. Opening balance ` 62,400
    - ii. Closing balance ` 76,800
  - c. Finished goods- Opening 200 units @ ` 168, Closing 1,600 units
  - d. Purchases of raw material `3,80,000, carriage on purchases `3,000, scrap of raw material `10,000
  - e. Wages `5,94,000
  - f. Works overheads are absorbed @ 60% of direct labour cost
  - g. Administration overheads are absorbed @ `24 per unit produced
  - h. Selling and distribution overheads are absorbed @ 20% of cost of goods sold
  - i. Sales is 7,600 units at a profit of 10% on cost of sales.
  
- II. A coke manufacturing company produces the following products by using 10,000 tonnes of coal @ ` 30 per tonne into a common process.

Coke	7,000 tonnes
Tar	2,400 tonnes
Sulphate of ammonia	104 tonnes
Benzol	96 tonnes

Apportion the joint cost amongst the products on the basis of the physical unit method.

Q6.

Write short notes on the following:

(5 x 4)

- a. Elements of Cost
- b. Classification of Cost
- c. Importance of cost sheets.
- d. Features of Process Costing

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