Quadrant IV- Assessment (Module -wise)

Programme: S.Y. B.Com

Subject: Fundamentals of Cost Accounting

Paper Code: COC 106

Paper Title: Fundamentals of Cost Accounting

Unit: Unit Costing

Module Name: Cost sheet - Actual and Estimated (Part 2)

Module No: 08

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A) State whether the following statements are true or false

- 1. Cost accounting is a branch of financial accounting.
- 2. Cost unit and cost centre have the same meaning.
- 3. Main objective of cost accounting is to determine income.
- 4. Information provided by cost accounts is given to the company's shareholders.
- 5. Variable cost per unit remains fixed.
- 6. Total fixed cost remains unaffected by changes in the volume of output.
- 7. Salaries paid to salesmen come under direct cost included in prime cost.
- 8. Abnormal costs are uncontrollable.
- 9. All the variable expenses are indirect expenses.
- 10. Cost of leather in shoe making in a direct cost.
- 11. Main objective of cost accounting is to maximise profit.
- 12. There is no difference in the meaning of costing and cost accounting.
- 13. Direct material cost is the material cost which can be allocated to cost centres or cost units.
- 14. Direct material cost is controllable.
- (B) Fill in the blank spaces.
- 1. The techniques and processes of ascertaining cost is known as
- 2. The aggregate of indirect material, indirect labour and indirect expenses is known as
- •
- 3. and and and are three elements of cost.
- 4. means a location, a person or an item of equipment (or group of these) for which costs may be ascertained and used for the purpose of cost control.
- 5. The total of all direct costs is known as
- 7. cost is that which can be conveniently identified with a cost unit.

8. Prime cost + Factory overhead =

9. cost is that whose amount does not change with the change in output level.

10.is the cost of remuneration (wages, salaries, commission, bonus etc) of the employees of an undertaking.

- C) Short Answer Questions
 - 1.Define cost accounting.
 - 2. What are the objectives of costing ?
 - 3. State in brief any three points of difference between cost accounting and financial accounting.
 - 4. State any three limitations of financial accounting.
 - 5. State three advantages of cost accounting to management.
 - 6. What practical difficulties are faced while installing a cost accounting system?
 - 7. State three important functions of cost accounting.
 - 8. Define cost.
 - 9. What is a cost unit ? Give three examples.
 - 10. What are the constituents of prime cost?
 - 11. Differentiate between direct and indirect costs.
 - 12. Define direct cost and give two examples.
 - 13. What is indirect cost ? Give three examples.
 - 14. What is fixed cost ? Give three items of fixed cost.
 - 15. Fixed cost per unit remains fixed. Do you agree ?
 - 16. What is variable cost ? Give two examples.
 - 17. Give three items of factory overhead.
 - 18. What are chargeable expenses ? Give two examples.
 - 19. What is prime cost ?
 - 20. Define overhead.
 - 21. State any three methods of classifications of cost.
 - 22. What is the difference between direct and indirect materials ? Give two examples of each.
 - 23. What are selling overheads ? How these differ from distribution overheads ?
 - 24. What is works cost ? How is it arrived at ?
 - 25. What is a cost sheet ?
 - 26. What are the three elements of cost ?
 - 27. Give examples of selling overheads.

Format of a Cost sheet

Name of the Company:_____

Statement of Cost and Profit for the year_____

Particulars	Amount	Amount
	(R s)	(R s)
Opening Stock of Direct Raw Materials	•••••	
+Purchase of Raw material	•••••	
+ Carriage outward/other incidental expenses		
-Closing stock of Raw material	•••••	
	•••••	
Raw Material consumed	•••••	
+ Direct Labour	•••••	
+ Direct expenses	•••••	
etc		
Prime Cost	•••••	•••••
Add: Factory Overheads		
Indirect Expenses		
Indirect wages		
Fuel and Power		
Factory Rent		
Consumables	••••	
Supervisors wages	•••••	
Etc		
Less: Sale of Scrap	•••••	
	••••	
Add: Opening stock of Work in Progress		
Less: Closing Stock of Work in Progress	••••	
	••••	
Works Cost/Factory Cost		•••••
	•••••	
Add: Office and Admn. Expenses		
Office salaries	•••••	
Director's Fees	•••••	
Office Rent	•••••	
Printing and Stationery	•••••	
Depreciation on office furniture	••••	
Etc.	••••	
Cost of Production		
Add: Opening stock of Finished Products		
Less: Closing Stock of Finished Product		
Cost of Goods sold		•••••

Add: Selling and Distribution overheads	
Advertising	
Showroom Expenses	
Bad Debts	
Salesmen's Salaries	
Etc.	
Cost of sales/Total Cost	••••
	•••••
Add: Profit	
Total sales	

Illustration 1: From the books of a Carpenter the following information for year ending 31st Dec., 2019 is provided to you.

Material Used Rs 1,50,000/ Direct Wages Rs 1,80,000/ Factory Overheads Rs 47,000/ Office Over heads Rs 35,000/

Prepare a statement of Cost and calculate the price at which the company should quote for the manufacture of a office table which requires materials valued at Rs 2500/ and expenditure on productive wages of Rs1700, so that the price may yield a profit of 25% on the selling price.

For the purpose of price quotation, charge factory overhead as a percentage of direct wages and charge office overhead as a percentage of work cost.

Soln.

Particulars	Amount (Rs)
Material Consumed	150000
Add: Direct labour	180000
Prime Cost	330000
Add : Factory Overheads	35000
Factory Cost	365000
Add: Office Overheads	35000
Cost of Production	400000
Total cost	400000

Statement of Cost and Profit for the six-month ending 31st December 2019

- 1) % Factory overheads to Direct wages = (35000/180000) * 100 = 19.44%
- 2) % office overheads to factory Cost = (35000/365000) *100 = 9.58

Estimated Cost sheet

Material	2500
Labour	1700
Prime Cost	4200
Add: Factory Overheads (19.44% * 1700)	330
Factory Cost	4530
Add : Office and admn. Overheads	434
(9.58%* 4530)	
Cost of Production/Total Cost	4964
Add: Profit (4964*25)/75	1654
Sales	6618

Quotation Price = Rs 6618/

Calculation of Profits

If S.P ----- P ----- CP 100 -----25 -----75

? 4964

Therefore P= $(4964*25)/75 = \text{Rs} \ 1654/$

Numerical/Problems to Solve

The directors of XYZ & Co. require a statement showing the production resultof the business for the month of March 2020. The cost accounts reveal the following information :

Stock on hand 1st March 2020 : Raw material Finished goods	Rs 250000 Rs 173600
Stock on hand, 31st March 2020	
Raw material	Rs 262500
Finished goods	Rs 157500
Purchase of raw materials	Rs 219000
Work-in-progress, 1st March 2020	Rs 82200
Work-in-progress, 31st March 2020	Rs 91000
Sale of finished goods	Rs 733100
Direct wages	Rs 171500

Non-productive wages	Rs 8300
Works expenses	Rs 83400
Office and administrative expenses	Rs 31600
Selling and distributive expenses	Rs 42100

You are required to prepare a statement so as to show

- (a) Raw materials consumed;
- (b) Prime Cost
- (c) Factory Cost
- (b) Cost of production;
- (c) Cost of goods sold;
- (d) the net profit.

Create something new (higher order cognition)

Students can manufacture/produce some items or cook some products and based upon the expenditure incurred they can prepare a statement of Cost sheet. This will help the students to understand the application part of the concept learned in the class.