REV-01
BCM/05/10

2025/11

SET A

BACHELOR OF COMMERCE
THIRD SEMESTER [REPEAT]
FUNDAMENTALS OF COST ACCOUNTING
BCM – 931 [IDMj]
[USE OMR SHEET FOR OBJECTIVE PART]

Duration: 3 hrs. **Full Marks: 70**

(Objective)

Time: 30 mins. **Marks: 20**

Choose the correct answer from the following: ***1×20=20***

1. Which of the following is not an objective of Cost Accounting?
   - a. Ascertainment of Cost
   - b. Determination of Selling Price
   - c. Cost Control and Cost reduction
   - d. Assisting Shareholders in decision making

2. Prime Cost includes:
   - a. Direct material + Direct labour + Direct expenses
   - b. Direct material + Factory overheads
   - c. Direct labour + Office & Admin expenses
   - d. Direct labour + Selling & distribution expenses

3. Element(s) of Cost of a product is/are:
   - a. Material only
   - b. Labour only
   - c. Expenses only
   - d. Material, Labour and expenses

4. Describe the cost unit applicable to the Bicycle industry:
   - a. per part of bicycle
   - b. per bicycle
   - c. per tonne
   - d. per day

5. Which of the following is a direct material?
   - a. Lubricating oil for machinery
   - b. Nuts and bolts used in assembly
   - c. Cloth used in a garment factory
   - d. Cleaning supplies for the factory floor

6. The primary objective of the Economic Order Quantity (EOQ) model is to:
   - a. Minimize the total cost of ordering and holding inventory.
   - b. Calculate the safety stock required for uncertain demand.
   - c. Determine the reorder level to prevent stockouts.
   - d. Identify the most profitable items in the inventory.

7. The document that authorizes the storekeeper to issue specific materials to a particular department is known as a:
   - a. Purchase Order
   - b. Goods Received Note (GRN)
   - c. Bill of Materials
   - d. Material Requisition Note

8. A Goods Received Note (GRN) is prepared by the:
   a. Purchasing Department
   b. Accounts Department
   c. Storekeeping Department
   d. Production Department

9. Which of the following best describes the classification of overheads based on their nature?
   a. Dividing overheads into direct and indirect costs based on their traceability to a cost object.
   b. Allocating overheads to cost centers based on machine hours.
   c. Grouping overheads into fixed, variable, and semi-variable costs based on their behaviour.
   d. Absorbing overheads into product costs using a predetermined rate.

10. What is the primary purpose of overhead allocation?
   a. To distribute overhead costs to products based on actual usage.
   b. To assign overhead costs directly traceable to a specific cost centre.
   c. To apportion overhead costs across multiple departments using a suitable basis.
   d. To calculate the machine hour rate for production departments.

11. A manufacturing unit has the following overheads: Factory rent ₹50,000, Power ₹30,000 (variable), and Supervisor salary ₹20,000. The basis for apportionment is floor area (10,000 sq. ft. total, with Department A: 4,000 sq. ft., Department B: 6,000 sq. ft.). Calculate the rent apportioned to Department A will be.
   a. ₹20,000
   b. ₹30,000
   c. ₹25,000
   d. ₹15,000

12. Time Rate system of wage payment is most suitable when:
   a. Quantity of output can be easily measured
   b. Quality is more important than quantity
   c. Workers are highly efficient
   d. Work is repetitive and standardized.

13. Taylor's differential piece rate system aims to:
   a. Encourage slow workers
   b. Penalty for inefficient workers & reward efficient workers
   c. Provide same wages to all
   d. Provide fixed bonus

14. Halsey Bonus plan gives bonus on:
   a. Time saved
   b. Time spent
   c. Units produced
   d. Standard cost saved

15. Time Saved is calculated as
   a. Actual time taken – Standard time
   b. Actual time taken ÷ Standard time
   c. Standard time × Actual time taken
   d. Standard time – Actual time taken

16. Which of the following is not a method of cost absorption?
   a. Percentage of direct material cost
   b. Machine hour rate
   c. Labour hour rate
   d. Repeated distribution method

17. Which method is most suitable for a company building a custom-designed bridge?
   a. Operating Costing
   b. Job Costing
   c. Unit Costing
   d. Process Costing

18. In Process Costing, the cost of Normal Loss is:
   a. Charged to Costing P&L A/c
   b. Ignored
   c. Carried forward as WIP
   d. Borne by good units produced

19. A brick kiln producing identical bricks should use:
   a. Job Costing
   b. Contract Costing
   c. Unit Costing
   d. Batch Costing

20. Abnormal Gain occurs when:
   a. Actual loss > Normal loss
   b. Actual loss = Normal loss
   c. Actual loss < Normal loss
   d. No normal loss exists

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Descriptive

Time : 2 Hr. 30 Mins. Marks : 50

[Answer question no.1 & any four (4) from the rest]

1. Define Cost Accounting. Discuss the differences between Cost Accounting and Management Accounting 3+7=10

2. From the following particulars of ABC Limited, prepare a cost sheet for the period ended 31st Dec 2024 10

Particulars	Amount (Rs.)
Opening Stock of raw materials	25000
Closing Stock of raw materials	18000
Raw materials purchased	120000
Productive Wages	70000
Direct Expenses	6000
Factory Lighting	4400
Depreciation:	
-Plant and Machinery	4000
-Office Building	2000
Advertising	600
Factory Rent and Taxes	15000
Sales Department Salaries	2000
Director's fee (Office)	4000
Office Stationery	1800
Factory Insurance	1000
Upkeepingof Office Building	2000
Bank Charges	1300
Office Electricity	3000
Salesmen's commission	1000
Rent and taxes (Office)	600
Rent for warehouse	1500
Factory Stationery	600
Opening balance of Finished Goods	5500
Closing balances of Finished Goods	3900
Total Sales	270000

3. a) Prepare the Stores Ledger Account for Part No. 789012 for the month of January using the First-In-First-Out (FIFO) method, based on the following particulars: 5+5=10

Receipts:

January 1: Opening Balance: 500 units @ ₹4.00 per unit

January 5: Received from vendor: 200 units @ ₹4.25 per unit

January 25: Received from vendor: 400 units @ ₹4.00 per unit

Issues:

January 4: 200 units

January 10: 400 units

January 30: 250 units

Requirements:

i) Apply the FIFO method for pricing issues.

ii) Calculate the closing balance as of January 31

b) You have been tasked with determining the following levels for part No. 813 based on the provided information:

a) Re-ordering level

b) Maximum level,

c) Minimum level,

The re-ordering quantity is to be calculated from the following data:

i) Total cost of purchasing relating to the order = Rs. 20.

ii) Number of units to be purchased during the year = 5,000.

iii) Purchase price per unit including transportation cost =Rs. 50.

iv) Annual cost of storage of one unit = Rs. 5.

Lead Times:

Average	10 days
Maximum	15 days
Minimum	6 days
Max. for emergency purchases	4 days

Rate of Consumption:

Average	15 units per day
Maximum	20 units per day

4. a) Define Economic Ordering Quantity (EOQ) and explain its significance in inventory management. 5+5=10

b) Find out the economic ordering quantity (E.O.Q.) from the following particulars and also show a graph identifying economic ordering quantity.

Annual usage: 6,000 units

Cost of material per unit: Rs. 20

Cost of placing and receiving one order: Rs. 60

Annual carrying cost of one unit: 10% of inventory value

5. Calculate the normal and overtime wages payable to a workman from the following data: 10

Days	Hours Worked	Rate
		Normal working hours= 8 hours per day
Monday	8 hours	
Tuesday	9 hours	Overtime Rate= Rs.5.00 per hour
Wednesday	11 hours	
Thursday	12 hours	Overtime Rate= Upto 9 hours in a day at single rate and beyond 9 hours in a day at double rate.
Friday	8 hours	
Saturday	5 hours	

6. a) Discuss the differences between Taylor Differential Piece Rate System and Merrick Differential Piece Rate System. 5+5=10

   b) From the following details calculate earnings for three workers X, Y and Z under Merrick's Differential Piece Rate System.

   Standard Output = 100 units

   Normal Piece Rate = Rs.10

   X produced = 75 Units

   Y produced = 100 Units

   Z produced = 115 Units

7. a) Explain the importance of overhead classification in cost accounting. 5+5=10

   b) What basis would you follow for distribution of the following overhead expenses to departments?

   a) Store service expenses,
   b) Employees' State Insurance,
   c) Factory Rent,
   d) Municipal Rent, Rates and Taxes,
   e) Insurance on Building and Machinery,
   f) Welfare department expenses,
   g) Creche expenses,
   h) Steam,
   i) Electric light,
   j) Fire Insurance.

8. Write short notes on *any two* of the following: 10

   i) Unit Costing
   ii) Job Costing
   iii) Process Costing
   iv) Batch Costing
   v) Treatment of Process Losses in Process Costing

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