

Anekant Education Society's  
**Tuljaram Chaturchand College of Arts, Science & Commerce, Baramati**  
**[Autonomous]**  
**Department of BBA**

Question Bank: - Basics of Cost Accounting [Code: BBA1204]

**1. A] Fill in the Blanks [1 mark question]**

1. Costing is the process and techniques of ----- costs.
2. The amount of expenditure incurred on a given thing is termed as -----
3. ----- costs are the cost directly associated with the product.
4. Direct expenses are also known as----- expenses.
5. -----cost can be controlled mostly by top level management.
6. Cost unit is a unit of measurement of -----
7. ----- is the price paid for something.
8. Cost accounting helps the management in ----- making.
9. ----- cost are based on recorded facts.
10. Cost plus contract is mainly used in -----
11. All normal losses in process costing are charges directly to the----
12. Service costing is also called as ----- costing.
13. Cost audit is concerned with the verification of the correctness of ----- accounts.
14. The basic purpose of cost audit is to establish accuracy of ----- accounts.
15. An Escalation clause usually relates to the change in prices of-----
16. Cost accounting is concerned with ----- of cost.
17. All normal losses in process costing are charges directly to the -----
18. Cost per unit remains ----- in case of abnormal loss as well as abnormal gain.
19. ----- costing involves the method of ascertainment of cost of services.
20. Prime cost and overhead cost makes the ----- cost.

**B] State the statement whether True or False [1 Mark question]**

1. Costing is simply the technique and process of ascertaining cost.
2. Cost sheet is a statement which shows only the indirect components of the total cost.
3. Cost accounting is concerned with cost ascertainment, cost presentation and control.
4. Process costing is applicable to those industries, where manufacture of product is of uniform standards.
5. Prime costs are identifiable.
6. Normal losses are not charged to the product in process costing.
7. Operating costing is a part of specific order costing.
8. All overheads are the costs, but all cost may not be overheads.
9. Cost accounting can replace financial accounting.

10. A cost unit is a unit of measurement of efficiency.
11. Retention money is the amount paid to the contractor after the satisfactory completion of the work.
12. Operating costing is a part of specific order costing.
13. Marginal costs are always fixed in total.
14. Absorption of overhead is nothing but charging of overheads to cost centres.
15. The work of cost auditor and financial auditor are partially interrelated.
16. Financial accounting has been developed out of the limitation of cost accounting.
17. 'Cost + Profit = Sales' is the equation of costing.
18. All costs are controllable.
19. Operating costing deals with costing of services.
20. The overhead rate should be simple to understand and easy to operate.

## **2. Answer in one sentence [1/2 Marks Questions]**

1. What is cost unit?
2. Define cost centre
3. What is cost?
4. Define costing
5. Define the term cost accounting
6. What is overhead?
7. Define Marginal costing
8. What is cost sheet?
9. Define Opportunity cost
10. What is Variable cost?
11. What is Fixed cost
12. What is Direct cost?
13. What is under absorption
14. Define over absorption
15. What is Escalation clause?
16. What is work-in-progress?
17. What do you mean by process costing?
18. What is Abnormal cost?
19. Define the term Cost Audit
20. What is Capital cost?

## **3. Short Notes on [4 Marks Questions]**

1. Features of Cost accounting
2. Cost Unit
3. Cost Centre
4. Advantages of cost accounting
5. Limitation of cost accounting
6. Cost Accountancy
7. Collection of Overheads

8. Allocation of Overheads
9. Apportionment of Overheads
10. Reapportionment of Overheads
11. Work Certified
12. Work Uncertified
13. Escalation Clause
14. Profit on incomplete contract
15. Abnormal Loss and Abnormal Gain
16. Process costing
17. Cost Plus Contract
18. Types of Cost Audit
19. Advantages of cost audit
20. Break-Even Analysis

**4. Short Answer questions [6 Marks questions]**

1. Explain the objectives of cost accounting.
2. Explain the advantages and limitations of cost accounting.
3. Differentiate between Financial accounting and Cost accounting
4. What is Financial accounting? Explain limitations of financial accounting.
5. Explain Types of Cost Centre.
6. Explain Types of Cost.
7. Explain Purposes of cost sheet.
8. Explain classification of cost on the basis of element and functions.
9. Explain functional and element wise classification of overheads.
10. What is Overheads? Explain behaviour and controlwise classification of Overheads.
11. State the reasons for under and over absorption.
12. Explain Features of Contract costing.
13. Explain Features of Process costing.
14. State the important features of Service costing.
15. Explain the objectives of cost audit
16. Explain the advantages of cost audit
17. Differentiate between Financial Audit and Cost Audit
18. Explain the Types of cost audit
19. Write a note on scope of cost audit.
20. Explain Features of Marginal costing

**5. Solve the following problems. [12 Marks questions]**

1. Prepare a statement of cost from the following information relating to Cotton Textiles Ltd. Mumbai, for the year ended 31<sup>st</sup> March, 2013

Particular	RS.
Cost of direct materials	2,00,000
Sales	4,00,000
Direct Wages	1,00,000
Office Indirect Materials	5,000
Cost of special patterns	40,000
Postage and Telegram	2,000
Bad debts recovered	250
Factory Rent and Insurance	5,000
Outstanding Chargeable Expenses	2,000
Carriage Outward	2,500
Interest on Loan	2,150
Printing and Stationery	500
Factory Indirect Wages	3,000
Selling on Cost	4,000
Travelling Salesman Salary	4,000
Works Indirect Material	1,000
Royalties	8,000
General Works Overhead	2,000
Bad Debts Written Off	1,000

Also calculate the percentage of Profits earned to sales

2. The accounts of Dorabjee Manufacturers, Deolali for the year ended 31<sup>st</sup> March, 2013 shows the following

Particular	Rs.
Stock of Raw Materials as on 1-4-2012	67,200
Bad Debts Written Off	9,100
Raw Materials Purchased	2,59,000
Motive Power	320
Travelers Commission	10,780
Depreciation on Office Equipments	420
Carriage Inwards	720
Interest on Bank Loan	380
Factory Taxes	11,900
Productive Wages	1,76,400
Directors Travelling Expenses	8,400
Coal and Coke	560
General Overheads	4,760
Gas and Water-Factory	1,680
Packing Charges	940
Sales of finished goods	6,00,000
Managers Salary (Factory- 2/3, Office- 1/3)	15,000

Delivery Van Expenses	4,060
Depreciation on Factory Buildings	18,200
Publicity Charges	2,000
Repairs to plant	6,340
Carriage Outward	7,120
Hire Charges of Special Machinery	9,010
Office Rent	2,800
Surveyor's Fees	590
Legal Charges	620
Stock of Raw Materials as on 31-3-2013	87,920

Prepare a cost statement giving the following details for the year ended 31<sup>st</sup> March, 2013

- 1) Cost of Material Consumed
- 2) Prime cost
- 3) Works Cost
- 4) Cost of Production
- 5) Total cost
- 6) Net profit for the year.

3.

Particular	Rs.
Opening stock of Raw Material	30,000
Purchases	50,000
Closing stock of Raw Material	10,000
Productive Wages	30,000
Factory Expenses	10,000
Office Expenses	11,000
Selling and Distribution	16,500

Prepare a cost sheet and also calculate

- 1) Percentage of factory expenses to wages
- 2) Percentage of office expenses to factory cost
- 3) Percentage of selling and distribution expenses to factory cost

The has to sent a tender it is estimated that material required cost Rs. 20,000 of wages Rs. 9,000. Tender is to be made at percentage profit on cost.

4. Following details have been obtained from the cost records of Colgate Ltd., Kolkata, for the year ended 31<sup>st</sup> March, 2019

Particular	Rs.
Stock of operating materials as on 1-4-2018	30,000
Wages paid to Direct Workers	55,000
Interim Dividend paid	12,000
Purchases of Raw Materials	87,000
Heating and Lighting	6,000
Counting House Salaries	20,000

Carriage and Cartage on Purchases of Raw Materials	3,000
Commission on Sales	5,000
Wages Payable	5,000
Technical Director's Fees	10,000
Stock of operating materials as on 31-3-2019	40,000
Showroom Expenses	7,000
Establishment on cost	12,000
Share Transfer Fees	2,000
Expenses of Testing Labs	4,000
Branch Office Expenses	8,000
After-Sales Service Expenses	8,000
Selling Price	2,50,000

Prepare a Cost-Sheet showing:

- 1) Cost of Material Consumed, 2) Prime Cost, 3) Works Cost, 4) Cost of Production,
- 5) Total Cost, 6) Profit or Loss

5. The following balances have been extracted from the books of Shanti Constructions, Surat on 31<sup>st</sup> March, 2013

Particular	Rs.
Contract Price	6,00,000
Plant and Machinery as on 1 <sup>st</sup> April, 2012	30,000
Material	1,70,600
Labour Charges	1,48,750
Engineers Fees	6,330
Outstanding Wages	5,380
Uncertified Work	12,000
Overhead Expenses	8,240
Materials Returned to Stores	1,600
Materials on hand at Site	3,700
Plant and Machinery on hand at site on 31 <sup>st</sup> May, 2013	22,000
Value of Work Certified	3,90,000
Cash Received	3,51,000

Prepare Contract Account for the year ended 31<sup>st</sup> March, 2013 showing separately the amount of profit that may be taken for the credit of Profit and Loss Account.

Also calculate the amount of work-in-progress as it would appear in the Balance Sheet as on 31<sup>st</sup> March, 2013.

6. Ramesh Builders Raipur took a contract to build a society hall on 1<sup>st</sup> April, 2018. The contract price was agreed at Rs.8,00,000. They have incurred following expenditure during the year 2018-2019.

Particular	Rs.
Direct Materials	50,000
Direct Labour	30,000
Direct Expenses	20,000
plant	80,000

From the following additional information prepare a Contract Account for the year ended 31<sup>st</sup> March 2019. Also show the amount in work-in-progress which will be shown in the Balance Sheet of the Contractor as on that date.

Particular	Rs.
Value of Plant as on 31 <sup>st</sup> March, 2019	60,000
Stock of Material on hand at Site	10,000
Materials returned to storehouse	2,000
Value of work certified	1,50,000
Cost of work uncertified	8,000
Cash Received	1,40,000

7. Cooper Construction Pvt. Ltd., Chennai undertook a contract for construction of a library buildings. The following is the information relating to the contract during the year 2018-2019

Particular	Rs.
Materials sent to site	1,00,000
Materials purchased and issued	70,698
Materials returned to stores	1,098
Materials at site on 31-3-19	3,766
Labour engaged on site wages accrued and due but not paid	1,40,000
Engineers fees	8,750
Direct Expenses Payable	6,334
General Overheads	580
Overheads Outstanding	8,252
Plant installed at site at cost	9,250
Erection charges on site for plant	41,500
Scrap value of plant after its life of five years	1,250
Work Certified	2,750
Cost of work not certified	3,90,000
Cash received from contractee	9,000
	3,60,000

Prepare Contract Account and Contractee's Account. Also show the amount of profit which you consider might be fairly taken on the contract and how you have calculated the same.

8. Reliable Constructions Ltd., Raipur undertook a contract of Rs. 8,00,000 for the construction of a sports Gymkhana on 1<sup>st</sup> April 2018. The following information is taken up from the contract ledger as on 31-3-2019 in respect of the above.

particular	Rs.
Materials directly issued from stores	1,30,000
Materials purchased	70,000
Scrap materials sold	8,000
Materials transferred to other contract materials in hand on site	10,000
Materials returned to stores	11,000
Direct wages paid and payable	6,000
Direct charges	85,000
Overheads charged to contract	45,000
Sub-contract cost	40,000
Cost of additional work	9,000
Outstanding direct expenses	3,400
Plant purchased on 1 <sup>st</sup> April 2018 and issued directly	1,600
Annual depreciation on plant	80,000
Plant transferred on 1-4-2018 to other contract	8,000
Cash received being 90% of work certified	40,000
Uncertified work being 8% of certified work	
	3,60,000

You are required to prepare 1) contract Account, 2) Contractee's Account

9. In the course of a manufacturer relating to Asmita Ltd., Akola a particular product passes through three distinct process viz. A, B, and C. during a monthly period 1,000 units are produced with which the following additional information is available

Particulars	(Amt. in Rs.)		
	Process A	Process B	Process C
Direct Materials	2,000	1,000	1,000
Direct Labour	1,500	700	800
Direct Expenses	300	100	100

Indirect expenses amounted to Rs. 4,500 and they are to be apportioned to the processes on the basis of Direct Labour

Prepare Process Account showing the total cost and cost per unit at each process.

10. The product of Bright Ltd., Baroda passes through two processes viz. A and B. it is ascertained that in each process 10% of the total weight is lost and 20% is scrap. The realization from scrap amounts to Rs. 160 per ton and Rs. 400 per ton from Process 'A' and Process 'B' respectively. The cost figures relating to processes are as follows:



Particulars		Process A	Process B
Materials Consumed	Tons	2,000	140
Cost of Materials per ton	Rs.	250	400
Direct Wages	Rs.	36,000	24,000
Chargeable Expenses	Rs.	11,000	12,960

Prepare Process Account showing the cost per ton of output in each process.

11. A product in Femina Ltd., Fattapur passes through two distinct processes A and B. from the following information you are required to prepare Process A and Process B account, Abnormal Loss Account and Abnormal Gain Account.

(Amt. in Rs.)

Particulars	Process A	Process B
Materials (introduces 20,000 units in Process 'A')	30,000	3,000
Labour	10,000	12,000
Overheads	7,000	9,850
Normal Loss	10%	4%
Scrap value of Normal loss	1 per unit	2 per unit
Output (Units)	17,500	17,000

There is no stock or work in progress in any process.

12. In the course of a manufacturer, a particular product passes through 3 distinct process i.e. A, B and C. during a monthly period 1,000 unites are produced with which the following additional information is available.

Particular	Process A	Process B	Process C
Direct Material	2,000	1,000	1,000
Direct Labour	1,500	700	800
Direct Expenses	300	100	100

Indirect expenses amounted to Rs. 4,500 and they are apportioned to the processes on the basis of direct labour. Prepare process account showing the cost and cost per unit at each process.

13. From the following data relating to the vehicle, of Ghatge Patil Transport Co., Kolhapur Calculate the cost per running kilometer.

Particular	Rs.
Cost of Vehicle	1,00,000
Road License fees (Annual)	5,100
Garage Rent (Annual)	4,800
Insurance Charges (Annual)	2,100
Supervision and Salary (Annual)	12,000
Drivers Wages per hour	2.00
Cost of Diesel per litre	4.00

Repairs and Maintenance per km	2.20
Tyres and Batteries per km	1.80
Kilometers run per litre 20 km	
Kilometers run annually 20,000 km	
Estimated life of the vehicle 1,00,000 km.	

You are required to charge Interest on Cost of vehicle @ 10% p.a., the vehicle runs 20 km per hour on an average.

14. From the following data, calculate the cost per running mile of Road Lines Transport Co., Raipur.

Particular	Vehicle-1	Vehicle-1
Mileage run (Annual)	15,000	6,000
Cost of Vehicle	Rs. 2,50,000	Rs. 1,50,000
Road License (Annual)	Rs. 7,500	Rs. 7,500
Insurance (Annual)	Rs.7,000	Rs. 4,000
Annual Garage Rent	Rs.7,250	Rs. 5,420
Supervision and Salaries (Annual)	Rs.24,000	Rs. 24,000
Drivers Wages per hour	Rs.30	Rs.30
Cost of fuel per litre	Rs.20	Rs. 20
Miles run per litre	20 miles	15 miles
Repairs and Maintenance per mile	Rs.1.65	Rs. 2
Tyre allocation per mile	Rs.0.80	Rs. 0.60
Estimated life of vehicles	1,00,000 miles	75,000 miles

Charge interest @15% p.a. on the cost of vehicles. The vehicle runs 20 miles per hour on an average.

15. From the following data relating to two passengers vehicles named Ganga and Yamuna, Saibaba Transport Co, Sangli , you are required to calculate the cost per running km.

Particulars	Ganga Rs.	Yamuna Rs.
Cost of Vehicle	1,00,000	60,000
Annual Road License	3,000	3,000
Insurance Per Annum	2,800	1,600
Yearly Garage Rent	2,400	2,000
Supervision and Salaries for 12 months	5,200	2,325
Drivers Wages per running hour	6	6
Cost of Petrol per litre	3.50	3.50
Repairs and Maintenance per km.	3.30	3.30
Cost of Tyre and Tubes per km.	3.59	4.10
	<b>Kms.</b>	<b>Kms.</b>
Estimate Life	1,60,000	1,20,000
Km. per litre of petrol	10	12
Annual km. run	24,000	9,000

Charge Interest @ 10% p.a. on cost of vehicles and vehicle runs 40 km. per hour on an average.

16. Tarun Transport Co., Pune owns a fleet of taxies and the following information is available from their records.

<b>Particulars</b>	
Number of Taxies	10
Cost of each Taxi	Rs. 20,000
Monthly salary to the staff –	
a) Manager - Rs. 3,000	
b) Accountant - Rs. 2,500	
c) Cleaner - Rs. 2,000	
d) Mechanic - Rs.1,500	
Garage rent per month	Rs.1,000
Monthly Insurance Premium	Rs.84
Yearly Taxes	Rs.600 per Taxi
Monthly Salary to Driver per Taxi	Rs.200
Annual Repairs per Taxi	Rs.1,000

Total life of a taxi is about 2,00,000 km. A taxi runs in all 3,000 km. in a month, of which 30% it runs empty. Petrol consumption is one liter for 10 km. @ Rs. 21.80 per liter. Oil and other sundries are Rs. 5 per 100 km.  
Calculate the cost of running a taxi per km.