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| **SESSION** | **JULY-AUG 2024** |
| **PROGRAM** | **BACHELOR OF COMMERCE (B.COM)** |
| **SEMESTER** | **III** |
| **COURSE CODE & NAME** | **DCM2103 COST ACCOUNTING** |
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**Set – 1**

**1. a. Explain the nature and scope of cost accounting.**

**b. Elaborate any five methods of costing.**

**Ans 1.**

**a. Nature and Scope of Cost Accounting**

Cost accounting is a branch of accounting that focuses on capturing, recording, and analyzing costs associated with the production of goods or services. It serves as a tool to ascertain the total cost incurred in business operations and assists in effective cost management. Cost accounting plays a crucial role in decision-making, pricing strategies, and performance evaluation.

**Nature of Cost Accounting**

1. **Classification of Costs**: Cost accounting involves classifying costs into direct and indirect, fixed and variable, and controllable and uncontrollable categories. This classification aids in better understanding and management of expenses.
2. **Focus on Cost Control**: It emphasizes controlling costs by identifying inefficiencies

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**2. Information regarding two types of materials A and B is as follows:**

|  |
| --- |
| **Normal usage 50 units per week each** |
| **Minimum usage 25 units per week each** |
| **Maximum usage 75 units per week each** |
| **Reorder Quantity A: 300 units B: 500 units** |
| **Reorder Period A: 4 to 6 weeks B: 2 to 4 weeks** |

**Calculate the following levels for each type of material:**

**a) Reorder level**

**b) Minimum stock level**

**c) Maximum Stock Level**

**d) Average stock level**

**e) Danger stock level**

**Ans 2.**

### Stock Level Calculations for Materials A and B

#### 1. Formulas for Calculation

* **Reorder Level** = Maximum Usage × Maximum Reorder Period
* **Minimum Stock Level** = Reorder Level − (Normal Usage × Maximum Reorder Period)
* **Maximum Stock Level** = Reorder Level + Reorder Quantity − (Minimum Usage × Minimum Reorder Period)
* **Average Stock Level** = $Minimum Stock Level+\frac{Reorder Quantity}{2}$
* **Danger Stock Level** = Minimum Usage × Minimum Reorder Period

####

**3. On the basis of the following information, Calculate the earnings of a worker under: A) Halsey Plan B) Rowan Plan**

**Guaranteed hourly rate of wages Rs. 5 per hour**

**Standard time for production one dozen articles 3 Hours**

**Actual time is taken by the worker to produce 20 dozen 48 Hours**

**Articles**

**Ans 3.**

### Worker Earnings Under Halsey and Rowan Plans

#### Given Data

* **Guaranteed Hourly Rate** = Rs. 5/hour
* **Standard Time for One Dozen Articles** = 3 hours
* **Actual Time Taken** = 48 hours
* **Number of Dozens Produced** = 20 dozens

### Step 1: Calculate Total Standard Time for Production

$$Total Standard Time=Standard Time per Dozen×Number of Dozens Produced$$

$$Total Standard Time=3×20=60 hours$$

### Step 2: Halsey Plan Calculation

**Formula for Earnings under Halsey Plan**:

$$Earnings=\left(Actual Time×Hourly Rate\right)+\left(Bonus Percentage×\left(Standard Time-Actual Time\right)×Hourly Rate\right)$$

* Bonus Percentage under Halsey Plan = 50%

Substitute values:

$$Earnings=\left(48×5\right)+\left(0.5×\left(60-48\right)×5\right)$$

**Set – 2**

**4. Explain the Absorption of overhead. Explain various methods of Absorption of overhead.**

**Ans 4.**

### Absorption of Overhead

Absorption of overhead refers to the process of allocating or assigning overhead costs to specific products, jobs, or services. Overheads are indirect costs that cannot be directly traced to a single product or service, such as factory rent, depreciation, administrative expenses, and utilities. Absorbing these costs ensures that the total cost of production is accurately calculated and helps in determining the pricing of products or services.

Overhead absorption is essential for ensuring that all costs incurred during production are

**5. The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that for each process normally 5% of total weight is lost and 10% is scrap which from processes A and B realizes Rs. 80 per ton and Rs. 200 per ton, respectively. The following are the figures relating to both processes:**

 **Process A Process B**

**Materials in tons 1000 70**

**Cost of material in rupees per 125 200**

**Ton**

**Wages in rupees 28,000 10,000**

**Manufacturing expenses 8,000 5,250**

**Output in tons 830 780**

**Prepare processes show the cost per ton of each process. There was no stock or work-in-progress in any process.**

**Ans 5.**

### Process Costing Calculation

The product passes through two processes, A and B. We will calculate the cost per ton for each process step by step.

### Given Data

| **Details** | **Process A** | **Process B** |
| --- | --- | --- |
| **Materials Input (tons)** | 1,000 | 70 |
| **Cost of Material (Rs./ton)** | 125 | 200 |
| **Wages (Rs.)** | 28,000 | 10,000 |
| **Manufacturing Expenses (Rs.)** | 8,000 | 5,250 |
| **Output (tons)** | 830 | 780 |
| **Scrap Value (Rs./ton)** | 80 | 200 |
| **Normal Weight Loss (%)** | 5% | 5% |
| **Scrap (%)** | 10% | 10% |

### Step 1: Calculate Total Input Cost for Each Process

#### Process A

* Material Cost = $1,000×125=125,000 Rs.$

**6. XYZ Travels Ltd. Provides the following details related to a month:**

**Driver, Conductor and Cleaner’s wages Rs.5,00,000**

**Office staff’s salary Rs.2,00,000**

**Diesel and Other oils Rs.7,00,000**

**Insurance, Taxes, etc. Rs.4,00,000**

**Interest and other expenses Rs.4,50,000**

**Repairs & Maintenance Rs.2,00,000**

**Depreciation Rs.5,20,000**

**Five buses with a seating capacity of 50 passengers shuttled between two cities at a distance of 50 kms. Each bus has made one round trip (to and from) per day with a normal occupancy of 60%. The number of days worked in a month was 25 days. Calculate the cost per passenger kilometer.**

**Ans 6.**

### Calculation of Cost Per Passenger Kilometer

### Step 1: Given Data

1. **Fixed Costs**:
	* Driver, Conductor, and Cleaner Wages = Rs. 5,00,000
	* Office Staff Salary = Rs. 2,00,000
	* Insurance, Taxes, etc. = Rs. 4,00,000
	* Interest and Other Expenses = Rs. 4,50,000
	* Depreciation = Rs. 5,20,000
	* Repairs & Maintenance = Rs. 2,00,000