

**MARKING SCHEME**  
**Sample Paper**  
**XII**  
**Cost Accounting (781)**

**SECTION A**

**Q1) 1 Mark X 10 Questions = 10 Marks (Out of 12 Questions attempt any Ten questions)**

**Q2) 2 Marks X 5 Questions = 10 Marks (Out of 7 Questions attempt any five questions)**

**Q3) 3 Marks X 5 Questions = 15 Marks (Out of 7 Questions attempt any five questions)**

⇒ **SECTION B**

**Q4) 5 Marks X 5 Questions = 25 Marks (Out of 7 Questions attempt any five questions)**

⇒ **15 Minute reading time has been allotted to read this question paper. Students will not be allowed to write any answer on the answer book during this time period.**

**Time allowed: 3 Hours**

**Maximum Marks: 60**

**Section - A**

1X10=10

**Q1** Answer any 10 out of the following:

i) The document which provides information regarding the progress of each job at each operation is known as:

**a) Job ticket**

**1 Mark  
for each  
correct  
Answer**

ii) Job No. 21 was in process at the end of the accounting period. The total cost involved in the Job is RS 15,000 of which RS 5,000 is direct material. Factory overhead is allocated to goods in process at 150% of direct labour cost. Compute the amount of direct labour charged to Job No. 21

**Rs. 4,000**

iii) **Job costing** can be defined as “that form of specific order costing which applies where work is undertaken to customers’ special requirements and each order is of comparatively of short duration. The work is usually carried out within a factory or workshop and moved through processes and operations as a continuously identifiable unit.

iv) Process costing is used in the business where the products are **Homogeneous**.

v) The cost per unit is the **average cost** which is calculated by dividing the total process cost by number of units produced in that particular process.

- vi) In process costing, each process is debited with material cost, labour cost and **Overheads** allocated or apportioned to the process.
- vii) Operating costing is also known as **Service Costing**.
- viii) The transporters may provide services for carrying **Both a) and b) i.e. both Goods and Passengers**.
- ix) Financial Profit & Loss A/c
- x) **Yes**, Difference in the amount of Depreciation in costing and financial accounting may create difference in Cost accounting profit from financial accounting profit.
- xi) Payment of donations is **Debited to financial P & L A/c**
- xii) Interest received on investment will be **Credited in financial P & L A/c**.

**Q2** Answer any five out of the following:

2X5=10

- i) Prime Cost = Direct material + Labour cost for manufacturing products + Direct expenses (1 Mark)  
 ⇒ 2,30,000 + 1,25,000 + 65,000 (1 Mark)  
 ⇒ RS 4,20,000

ii) What is meant by the term job ticket?

The production and planning department issues job ticket to provide up-to-date information regarding the status of each job completion at each operation. Job ticket comprises of hook-on section of each operation. It is a very important document for both Production and Planning Department and costing department.

With the help of job ticket “Departmental Summary of Production” can be prepared which is very useful for costing purposes.

**(2 Marks) for valid explanation**

- iii) Any two industries using Batch Costing: (1 Mark each)
  - a) Shoe manufacturing Industry,
  - b) Toy industry,
  - c) Pharmaceutical industry,
  - d) Readymade garment industry etc...

iv) **Any two features of Contract Costing: (1 Mark each)**

- a) The work on the contract is carried out at the site of the contract.
- b) Each contract is considered to represent a cost unit.
- c) A separate contract account is prepared in the books of the contractor for each contract.
- d) Material is specifically purchased for the contract.

- v) Any two differences between Job Costing and Process Costing.(1 Mark each)

Job Costing	Process Costing
The cost unit in job costing is a job.	The cost unit in process costing is a process.
Each job may be different.	Each process for the total output is same.

- vi) Cost of goods sold is the direct costs attributable to the production of the goods sold in a company. This amount includes the cost of the materials used in creating the good along with the direct labor costs used to produce the good.

Cost of Goods Sold = Cost of production + Opening stock of finished goods – Closing stock of finished goods

(2 Mark for valid explanation)

- vii) Write any two differences between normal loss and abnormal loss.(1 Mark each)

Normal Loss	Abnormal Loss
It is due to nature of products like pilferage, dryness etc.	Abnormal loss can be due to carelessness of the workers like loss by theft, loss by fire etc.
Normal loss is beyond human control. It can't be avoided.	Abnormal loss can be controlled. This may be due to faulty plant design, carelessness etc.

Q3 Answer any five out of the following:

3X5=15

- i) **Different components of cost are:**

- a) **Prime Cost:** Prime cost is also named as “Direct Cost”, “Flat Cost”, “Basic Cost” or “FirstCost”. It is the summation of all direct costs relating to production, i.e. direct material, direct labour and direct expenses.
- b) **Factory Cost:** Factory cost is also named as “Work Cost”, “Manufacturing Cost” or “Production Cost”. It is the summation of prime cost and factory overheads that includes indirect material, indirect labour and indirect expenses of factory. Factory cost includes all the direct cost relating to product and the indirect cost relating to factory.
- c) **Office Cost:** Office Cost is also named as “Cost of Production” or “Administration Cost”. Office cost is the summation of factory or work cost and office & administrative overheads. Any cost related to sales and distribution is not the part of office and administrative cost as they form a separate category. This total cost of production is adjusted with the opening and closing stock of finished goods to get the cost of goods sold.
- d) **Cost of Sales:** It is also named as “Total Cost”. It is derived by adding selling and distribution overheads to the cost of goods

sold.

(1/2 Mark each heading and 1/2 mark for valid explanation)

ii) **Three objectives of Job costing (any three):(1 Mark each)**

- a) It ascertains the cost of each job separately and also indicates the profit or loss made out on its completion. It also helps in decision making regarding continuation or discontinuance of job.
- b) It assists the management in controlling the cost of each job by comparing the actual cost with the estimated cost.
- c) It provides a basis for determining the cost of similar jobs to be undertaken in future and quoting the appropriate price for the same.

iii) **Economic Batch Quantity**

$$= \frac{\sqrt{(2 * 9000 * 220)}}{\sqrt{10\% \text{ of } 1250}} \quad (1 \text{ Mark})$$

⇒  $\sqrt{3960000/125}$  (1 Mark)

⇒ 177.98 units or 178 units (1 Mark)

iv) **The industries where Contract costing is used are:**

- a) Building construction
- b) Road construction
- c) Bridge construction
- d) Ship building and
- e) Other civil engineering works. (1 Mark each)

v) The transporter has to provide a quote to their client which is the price set by him for his services. To arrive at the selling price, the transporter is supposed to work out the cost per service unit is called transport costing. (1.5 Marks)

Log sheet is prepared in order to maintain the data on regular basis like petrol usage, KM run, passengers carried or goods carried etc. which is used by the cost accountant to compile the cost records in order to prepare the performance statement. (1.5 Marks)

vi) The various cost components under the transport costing are: (1 Mark each)

a) **Fixed or Standing Cost:** These are the cost which is

to be incurred regardless of vehicle being in use or not. Such costs are usually fixed in nature and does not vary with the kilometer run and passengers/goods transported. Example: Fixed salaries, Insurance cost, Road tax, Rent of garage etc.

- b) **Maintenance Cost:** They are semi-variable in nature wherein some part of the cost is fixed and the other is variable in nature. Example: Repair and maintenance of vehicle, Overhauling, Cost of Tyres etc.
- c) **Running Cost:** These types of cost are incurred based on the running of the vehicle. It varies with the level of operation. Thus, it is variable in nature. Example: Fuel charges, Consumables like oil and grease, driver daily wages etc.

- vii) Various types of overheads may be classified as
  - a) Fixed over heads
  - b) Variable overheads
  - c) Semi variable overheads

We can also classify overheads as

- a) Factory/ Works overheads
- b) Office and administrative overheads
- c) Selling and distribution overheads

**(1/2 Mark for heading and 1/2 mark for valid brief explanation)**

Section – B

5X5=25

**Q4** Answer any five out of the following:

- i) **M/s. LINK Ltd.**

**Cost Sheet  
For the month ending....**

Particulars	Details	Amount (Rs.)
(A) Purchases during the Year	<b>86,000</b>	
(B) <b>Add:</b> Opening Stock of Raw Material	<b>95,000</b>	
(C) <b>Less:</b> Closing Stock of Raw Material	<b>(98,400)</b>	
(D) Direct Material Consumed (A+B-C)	<u>82,600</u>	<b>82,600</b>
(E) Direct Labour		<b>32,000</b>
(F) Direct Expenses (Freight)		<b>2,600</b>
(G) Prime Cost (D+E+F)		<b>1,17,200</b>
(H) <b>Add:</b> Factory Overheads		
Indirect wages	<b>3,500</b>	
Factory rent and rates	<b>19,000</b>	
Dep. On Machinery	<b>4,200</b>	
(I) Gross Factory/Work Cost (G+H)		<u>26,700</u>
		<b>1,43,900</b>

(1 Mark)

(J) <b>Add:</b> Opening WIP		<b>23,000</b>	
(K) <b>Less:</b> Closing WIP		<b>(34,000)</b>	
(L) Factory/Work Cost (I+J-K)		<b>1,32,900</b>	(1 Mark)
(M) <b>Add:</b> Office and Administrative Overheads	<b>7,800</b>		
Office rent and taxes		<b>7,800</b>	
(N) Cost of Production/Office Cost (L+M)		<b>1,40,700</b>	
(O) <b>Add:</b> Opening Finished Stock		<b>1,04,000</b>	
(P) <b>Less:</b> Closing Finished Stock		<b>(87,000)</b>	(1 Mark)
(Q) Cost of Goods Sold (N+O-P)		<b>1,57,700</b>	
(R) <b>Add:</b> Selling and Distribution Overheads	<b>5,600</b>		
Carriage outwards	<b>13,300</b>		
Advertisements	<b>8,900</b>		
Traveler wages and Commission			
		<b>27,800</b>	(1 Mark)
(S) Total Cost/Cost of Sales (Q+R)		<b>1,85,500</b>	

**Sales – Gross Profit = Cost of Sales**

**3,31,000 – Gross Profit = 1,85,500**

**Gross Profit = RS 331000 – 185500**

(1 Mark)

⇒ **Rs 1,45,500**

ii)

Dr.		Contract Account		Cr.	
Particulars	Amount (RS)	Particulars	Amount (RS)		
To Materials (1/2)	1,20,000	By Material in hand 1	10,000		
To Wages (1/2)	1,64,000	By Plant on hand	16,000	1/2	
To Plant (1/2)	20,000	By Work-in-Progress		1/2	
To Overheads (1/2)	8,600	Work Certified			
To Notional profit (1/2)	13,400	(2,40,000x100/80)	3,00,000		
	<u>326000</u>		<u>326000</u>	1/2	
To P & L A/c (1/2)	7,147	By Notional Profit	13,400		
To Work in Progress (1/2)	6,253	b/d			
	<u>13,400</u>		<u>13,400</u>		

iii)

Dr.		Process Account			Cr.	
Particulars	Units	Amount (RS)	Particulars	Units	Amount (RS)	
To Raw Material 1/2	2,000	8,000	By Normal Loss A/c 1/2	200	500	

To Direct Wages 1/2		13,000	By Abnormal Loss A/c(1)	100	1,500
To Indirect expenses 1/2		6,500	By transfer to Next Process(1)	1,700	25,500
	<u>2000</u>	<u>27,500</u>		<u>2000</u>	<u>27,500</u>

- iv) Number of Busses = 2  
Capacity of Bus = 40  
Capacity of Fleet = 2 X 40, i.e. 80 Passengers  
Number of Trips per Day = 2  
Number of Days = 30  
Distance Run per Trip = 120 Km  
Service Rendered = 120 X 2 X 30 X 80  
= 5,76,000 Passenger/Km **(1 Mark)**

Operating Cost Sheet of Jumbo Pvt. Ltd.  
For the month ending April 2018

Particulars	Amount (RS)	Per passenger/KM
<b>Standing Cost</b>		
Monthly salaries of office staff	4,00,000	
Insurance premium	20,000	
Depreciation	35,000	
Interest and other charges	25,000	
<b>Total Standing Cost</b>	<u>4,80,000</u>	0.833
<b>Maintenance Cost</b>		
Repairs and overhauling	56,000	
<b>Total Maintenance Cost</b>	<u>56,000</u>	0.098
<b>Running Cost</b>		
Wages	2,00,000	
Diesel	50,000	
<b>Total Running Cost</b>	<u>2,50,000</u>	0.434
<b>Total Cost</b>	<u>7,86,000</u>	1.364

**(1 Mark)**

**(1 Mark)**

- v) Memorandum Reconciliation Account

To under-valuation of opening stock of work-in-progress <b>(1 Mark)</b>	500	By Profit as per cost account <b>(1 Mark)</b>	59,700
To Profit as per	60,000	By over-valuation of opening stock of materials <b>(1 Mark)</b>	300

**(1 Mark)**

**(1 Mark)**

financial records(1 Mark)		in cost account	
		By under valuation of A/cs closing stock of material in cost a/c(1/2)	400
		By under valuation of closing stock of WIP 1/2	100
	60,500		60,500

**vi) Reconciliation statement**

Particulars	+ Items	-Items	
Profit as per Costing Account	70,000		1/2
Factory indirect expenses over-absorbed	1,500		1/2
Rent received from own building	5,500		1/2
Dividend received	1,100		1/2
Selling overheads		1,000	1/2
Provision for doubtful debts		4,000	1/2
Director's remuneration		4,000	1/2
Income-tax paid		18,500	1/2
Depreciation under-charged		2,800	1/2
Administrative overheads		2,900	1/2
	78,100	33,200	
Profit as per financial records		44,900	
	78,100	78,100	

**vii)** Few items which are purely financial charge, which are only recorded in Cost accounting and few items which are common in both financial records and cost records are as under:

**Purely financial charge – examples(2 Marks)**

- a) Loss on sale of capital assets
- b) Discount on bonds, debenture etc.
- c) Loss on investment
- d) Interest on bank loans and mortgages.
- e) Fines and penalties
- f) Provision for bad and doubtful debt
- g) Amount written off, goodwill, discount on debentures, preliminary expenses
- h) Loss due to theft, pilferage, etc.

**Items shown only in cost accounts: (2 Marks)**

- a) Notional rent, i.e., charges on owned premises.
- b) Notional salaries
- c) Depreciation on fully depreciated assets still in use.

Items shown in both cost accounting and financial accounting: **(1 Mark)**

- a)** Depreciation on Plant and Machinery, Depreciation on office equipment etc.
- b)** Factory rent,
- c)** Salary of clerks,
- d)** Salesman Commission etc.

**(1 Mark)**