

2010

COST ACCOUNTING AND AUDITING

THIRD PAPER

Full Marks : 100

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. Answer any five questions within 100 words each : 5×5=25
- (a) What is the meaning of 'Audit'?
 - (b) Differentiate between error and fraud.
 - (c) Explain the concept of Auditor's Independence.
 - (d) Differentiate between internal audit and internal control.
 - (e) What are the types of errors in recording financial transactions?
 - (f) Define Cost Accounting and state its objectives.

- (g) What is Margin of Safety? Explain.
- (h) Explain the system of wage payment by time. Explain the advantages and disadvantages associated with it.

2. Answer any *three* questions : 10×3=30

- (a) Following information are available from the cost records of a manufacturing company :

Fixed expenses—Rs 4,000

Break-even point—Rs 10,000

You are required to calculate—

- (i) P/V ratio;
- (ii) profit where sales are Rs 20,000;
- (iii) new break-even point if selling price is reduced by 20%.
- (b) The following direct costs were incurred on Job No. 415 of a company :

Materials—Rs 6,800

Wages :

Department A—

60 hours @ Rs 3 per hour

Department B—

40 hours @ Rs 2 per hour

Department C—

20 hours @ Rs 5 per hour

Overhead expenses for these three departments were estimated as follows :

Variable Overheads :

Department A—

Rs 5,000 for 5000 labour hours

Department B—

Rs 3,000 for 1500 labour hours

Department C—

Rs 2000 for 500 labour hours

Fixed Overheads :

Estimated at Rs 20,000 for

10000 normal working hours

Calculate the cost of job 415 and calculate the price to give profit of 25% on selling price.

(c) The following information is given :

| | | |
|-----------------------|----------|----------|
| Production (in units) | 6000 | 8000 |
| Labour cost (in Rs) | 15,000 | 19,000 |
| Overhead cost (in Rs) | 1,17,000 | 1,47,000 |

Determine the fixed cost element in overhead cost and labour cost.

(d) Using Taylor's differential piece rate system, find the earnings of A, B and C from the following particulars :

Standard time per piece—20 minutes

Normal rate per hour—Rs 9

In a 8-hour day :

A produced—23 units

B produced—24 units

C produced—30 units

- (e) A company is deciding on the EOQ for two brands of the lawn fertilizer—super grow and nature grow. The following information is collected :

| | <i>Super grow</i> | <i>Nature grow</i> |
|---|-------------------|--------------------|
| Annual Demand (in bags) | 2000 | 1280 |
| Relevant ordering cost per purchase order (in Rs) | 1,200 | 1,400 |
| Annual relevant carrying cost per bag (in Rs) | 480 | 560 |

- (i) Compute EOQ for super grow and nature grow.
- (ii) For the EOQ, what is the sum of the total annual relevant ordering costs and total annual relevant carrying costs for super grow and nature grow?
- (iii) For the EOQ, compute the numbers of deliveries per year for super grow and nature grows.

3. Answer any *three* questions within 300 words each : 15×3=45

- (a) What is the scope of auditing? Mention the various types of audit on the basis of needs.

- (b) Explain the concept of 'true and fair' and differentiate the same from 'true and correct'.
- (c) " 'Internal control' is the lifeline of any organisation." Explain. What are the important issues to determine internal control?
- (d) What is Audit Working Papers? What are its factors, features and functions?
- (e) Explain the various methods of Pricing Material Issues.

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