

Operating (Service) Costing and Contract Costing

Time Allowed : 70 Minutes
TEST-1
Total Marks: 40 Marks
Q.1: Operating Costing Vs. Operation Costing

(5 Marks)
Q.2: Explain "Retention Money" and "Progress Advance Payment" in context of contract costing.

(5 Marks)

Q.3 A bus started from Delhi for Mussoorie with 50 passengers on board, 20 passengers got off at Dehradun and the bus proceeded with the remaining passengers. In the evening the same bus left Mussoorie with 50 passengers. 10 passengers got off at Dehradun and the bus resumed its journey with remaining passengers for Delhi.

The distance between Delhi and Dehradun is 280 kms and between Dehradun and Mussoorie is 20 kms. Compute the cost per Passenger-km, if the total cost of running the bus for this trip is ₹5,000.

(5 Marks)

Q.4. An amount of ₹19,80,000 was incurred on a contract work upto 31-03-2021. Certificates have been received to date to the value of ₹ 24,00,000 against which ₹21,60,000 has been received in cash. The cost of work done but not certified amounted to ₹45,000. It is estimated that by spending an additional amount of ₹ 1,20,000 (including provision for contingencies), the work can be completed in all respects in another two months. The agreed contract price of the work is ₹25 lakhs. **Compute** the profit to be taken to the Profit and Loss account under different methods. Also given your recommendation.

(5 Marks)

Q.5. Royal Transport Company has been given a 50 kilometer long route to run six buses. The cost of each bus ₹ 7,50,000. The buses will make 3 round trips per day carrying on an average 75 percent passengers of their seating capacity. The seating capacity of each bus is 48 passengers. The buses will run on an average 25 days in a month. The other information for the year 2016-17 is given below:

Garage rent	₹ 6,000 per month
Repairs & Maintenance during the year	₹ 24,000 each bus
Salaries of 6 drivers	₹ 4,000 each per month
Wages of 6 conductors	₹ 1,600 each per month
Wages of 6 cleaners	₹ 1,000 each per month
Manager's salary	₹ 10,000 per month
Road tax, permit fee, etc.(for all the buses)	₹ 6,000 for a quarter
Office expenses	₹ 2,500 per month
Cost of diesel per litre	₹ 66
Kilometer run per litre for each bus	6 kilometers
Annual depreciation	20% of cost
Annual insurance	4 % of cost
Engine oils & lubricants (for 1000 kilometers)	₹ 2,000

You are required to calculate the bus fare to be charged from each passenger per kilometer (upto four decimal points), if the company wants to earn profit of $33\frac{1}{3}$ percent on taking (total receipts from passengers). Prepare Operating Cost Statement on annual basis for all the six buses.

(10 Marks)

Q.6. RST Construction Ltd. commenced a contract on April 1, 2019. The total contract was for ₹ 49, 21,875. Actual expenditure for the period April 1, 2019 to March 31, 2020 and estimated expenditure for April 1, 2020 to September 30, 2020 are given below:

	April 1, 2019 to March 31, 2020 (Actual) (₹)	April 1, 2020 to September 30, 2020 (Estimated) (₹)
Materials Issued	7,76,250	12,99,375
Wages: Paid	5,17,500	6,18,750
Prepaid	37,500	–
Outstanding	12,500	5,750
Plant Purchased	4,00,000	–
Expenses: Paid	2,25,000	3,75,000
Outstanding	25,000	10,000
Prepaid	15,000	–
Plant return to store (historical cost)	1,00,000	3,00,000
	(on September 30,2019)	(on September 30, 2020)
Work Certified	22,50,000	Full
Work Uncertified	25,000	–
Cash Received	18,75,000	–
Materials at Site	82,500	42,500

The plant is subject to annual depreciation @ 25% on written down value method. The contract is likely to be completed on September 30, 2020.

Required:

Prepare the Contract Account for the year ended 31st March, 2020 and determine the estimated profit on the contract.

(10 Marks)