2016

M. Com.

4th Semester Examination

ADVANCED COST ACCOUNTING

PAPER — COM-405

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Unit—I

[Marks : 20]

1. Answer any *two* questions from the following : 2×5

(a) The Rajashtan Manufacturing Company Commenced operations on 1st April, 2015 and completed the following transactions during the year ended 31st March, 2016.

(i) Purchased materials for ₹ 10,40,000.

(ii) Requisitioned direct material totalling ₹ 6,00,000 for job orders.

(iii) Requisitioned indirect material worth ₹ 60,000.

(iv) Returned materials worth ₹ 20,000 to the vendors.

(Turn Over)

(v) Returned materials to the store room : from job order– ₹ 24,000.

(vi) Paid for wages ₹ 13,00,000.

(viii) Distributed wages as follows :
Direct labour – ₹ 12,84,000.
Indirect labour– ₹ 16,000.

Show how these transactions will be recorded in the costing book of the company under Integrated system of book keeping.

(b) During the year a company's profits have been estimated from the costing system to be ₹ 46,126 ; whereas the audited financial accounts disclose a profit of ₹ 33,248. Consider the following information and forepare a reconciliation statement showing clearly the reasons for the difference :

		₹		₹
The Opening Stock	4,94,358		By Sales	6,93,000
Add : Purchase	1,64,308			
	6,58666			
Less : Closing Stock	1,50,242	5,08,424		
To Direct Wages		46,266		
To Factory overhead		41,652		
To Gross Profit c/d		96,658		
		6,93,000		6,93,000
To Administration Exp.		19,690	By Gross Profit b/d	96,658
To Selling Expense		44,352	By Sundry Income	632
To Net Profit		33,248		
		97,290		97,290

Additional Information :

(i) Stock ledger closing balance is ₹ 1,56,394 ;

(ii) Credit balance in wages control account is ₹ 49,734 ;

(iii) Credit balance in factory overhead control account is ₹ 39,428 ;

(iv) Administration expenses are charged to sales at 3% of sales value in cost accounts ;

(v) Provision for selling expense is 5% on sales value as per cost accounts ;

(vi) Sundry income is not considered in cost accounts.

(c) Bright Chemicals Ltd. electrolyses common salt to obtain three joint products caustic soda, chlorine and hydrogen. During period, the expenditure relating to the inputs for the common process amounted to ₹ 3,50,000. After separation, expenses amounting to ₹ 1,60,000, ₹ 75,000 and ₹ 10,000 were incurred for caustic soda, chlorine and hydrogen respectively. The entire production was sold and ₹ 3,75,000, ₹ 2,50,000 and ₹ 60,000 were realised for caustic soda, chlorine and hydrogen respectively. The selling expanses were estimated at 5% of realisation from sale. The management expected profits @ 15%, 10% and 5% of realisations from sale of caustic soda, chlorine and hydrogen respectively. Draw a columnar statement showing the apportionment of joint costs and profitability of each product.

(d) The following information relations to the first two years of operation for a newly created division of a manufacturing company :

Standard Manufacturing Cost

	Unit Cost (₹)
Direct Material	4·00
Direct Labour	4·00
Variable Manufacturing Overhead	2·00
Total Variable Manufacturing Cost	10·00
Fixed Manufacturing Cost	4·00
Total Manufacturing Cost	14.·00

Standard Capacity– 2,00,000 units

Selling Price –₹ 25 per unit.

Selling and administration expenses :

Variable ₹ 2 per unit of output,

Fixed ₹ 3,00,000.

Production and Sales Statistics :

	Year–1	Year–2
Units Produced	2,20,000	1,70,000
Units Sold	1,80,000	2,00,000
Change in Inventory (Unit)	+40,000	–30,000

Required :

Prepare comparative Income Statement, for the first two years of operations using both Absorption Costing and Marginal Costing.

2. Answer any *one* question from the following : 1×10

(a) The following data pertains to Process-I for March, 2015 of Nice Ltd.

Opening W-I-P 1,500 Units valued at ₹ 15,000 Degree of completion :

Material 100% ; Labour and overhead $33\frac{1}{3}\%$

Input of Materials 18,500 Units at	₹ 52,000
Direct Labour	₹ 14,000
Overhead	₹ 28,000

Closing W-I-P 5,000 Units.

Degree of completion :

Material 90%, Labour and overheads 30%.

Normal Process loss is 10% of total input

Scrap value ₹ 2 per unit

Units transformed to the next process : 15,000 units.

You are required to prepare Process-I Account. Assume FIFO method is used by the company. 10

(b) A Company manufactures 3 lakh units of Product X and 2 lakh units of Product Y per annum. The following figures are extracted from its cost books related to the cost of above products.

Sale Value	₹ 38.00 lakhs
Direct material	7·00 lakhs
Direct labour	9·50 lakhs
Factory Overhead	9·50 lakhs
Administration and Selling Overheads	6.00 lakhs

50% of factory overhead is variable and 50% of administration and selling overhead is fixed. The selling price of x is ₹ 6 per unit and y is ₹ 10 per unit. The direct material and labour ratio for product X is 1:1·5 and for Y is 1:1·25. For both the products, the selling price is 400% of direct labour. The factory overheads are charged in the ratio of direct labour and administration and selling overheads are recovered at a flat rate of Re 1 per unit of X and ₹ 1·50 per unit of Y.

Due to fall in demand of the above products, the company has a plan to diversify and make product Z using 40% of the present capacity. It has been estimated that for each unit of Z direct material and labour will be ₹ 1·2ʳ and ₹ 1·50 respectively. Other variable costs will be same as applicable to product X. The selling Price of Z will be ₹ 7 per unit and production will be 3 lakh units.

Assuming that balance 60% capacity is used for manufacture of X and Y, you are required to :

Calculate total cost and profit; before diversification as well as after diversification and offer your recommendation as to whether to diversify or not. (4+4)+2

Unit—II

[Marks : 20]

3. Answer any *two* questions : 2×5

(a) What do you mean by Functional Budget? Give the names of at least six such functional budgets. Discuss the factors to be considered in preparing any one functional budget.

(b) Write a note on Activity Based Costing.

(c) What is Decision Package in Zero Base Budgeting? What are its common contents?

(d) "The concept of performance budgeting relates to greater management efficiency especially in government organisation". Explain.

4. Answer any *one* of the following : 1×10

(a) (i) The following information was obtained from the records of a manufacturing unit using Standard Costing System :

	Standard	*Actual*
Production	4,000 Units	3,800 Units
Working days	20	21
Fixed Overhead (Rs.)	40,000	39,000
Variable Overhead (Rs)	12,000	12,000

Compute all possible overhead variances.

(ii) What are the limitations of Standard Costing System ? 7+3

(b) A Company manufactures two products, A and B and the budgeted data for the year are as follows :

	Product 'A'	*Product 'B'*
	Rs.	*Rs.*
Sales price per Unit	100	15
Direct material Per Unit	20	10

Direct wages Per Unit	5	4
Total Works overhead	10,105	9,009
Total Marketing overhead	1,200	1,100

The sales manager forecasts the sales in units as follows :

	Product 'A' (Units)	*Product 'B' (Units)*
January	28	10
February	28	12
March	24	16
April	20	20
May	16	24
June	16	24
July to January (next year) per month	18	20

It is assumed that (i) there will be no W-I-P at the end of any month, and (ii) finished units equal to half the sales for the following month will be kept in stock.

You are required to prepare

(i) a production Budget for each month. and

(ii) a summarised profit and loss statement for the year.

[Internal Assessment : 10 Marks]

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