2017

M.Com. 4th Semester Examination

ADVANCED COST ACCOUNTING

PAPER—COM-405

Full Marks : 50

Time : 2 Hours

The figures in the 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 of the following : 2×5

(a) Write the reasons for differences in Cost Profit and Financial Profit under non-integrated system of cost book keeping.

(b) Pass the journal entries of the following transactions in the cost book of X Co. Ltd., assume the books are maintained under non-integrated system :

(i) Pruchase of material amounting ₹ 5,00,000 by production centre directly from supplier in S.B.I. cheque as on 4.5.17.

(ii) Wages paid for capital goods production amounting ₹ 30,000 as on 7.5.2017.

(iii) Production overhead is under absorbed during the period ₹ 5,000 as on 8.5.2017.

(iv) Finished goods produced during the period as on 13.5.17 ₹ 8,70,000.

(v) Normal loss of raw material due to dry weather amounting ₹ 20,000 as on 25.5.17.

(c) Write the non-cost factors to be considered in make or buy decision in Marginal Costing.

(d) ABC Ltd. manufactures three products A, B and C. The joint expenses of manufacture of the above mentioned three products was ₹ 7,000.

It was estimated that the profit on each product as a percentage of sales would be 20%, 25% and 10% respectively. Subsequent expenses were as follows :

	A (₹)	B (₹)	C (₹)
Material	500	300	200
Direct wages	300	200	100
Overhead	200	150	100
	1,000	650	400
Sales (₹)	6,000	4,000	3,000

Prepare a statement showing apportionment of joint cost to three products under Net Sales method.

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

(a) Product 'Z' is obtained after it passes through three distinct processes. The following information is obtained from the accounts for the month ending 31.12.2016.

Items	Total	Processes		
	(₹)	I (₹)	II (₹)	III (₹)
Direct Material	7542	2600	1980	2962
Direct wages production	9000	2000	3000	4000
Overhead	9000	—	—	—

1,000 units at ₹ 3 each were introduced to Process-I. There were no stock, material or W-I-P at the beginning or end of the period. The output of each process passes direct to the next process and finally to finished stores. Production overhead is recovered at 100% of direct wages. The following additional data is obtained :

	Output during the month	% of normal loss to input	Value of (₹) scrap per unit
Process-I	950	5%	2
Process-II	840	10%	4
Process-III	750	15%	5

Prepare process cost accounts, normal and abnormal gain or loss accounts. 10

(b) Motor Components Ltd. have secured an order for 3000 components per week from a car manufacturer. But there is a shortage of available skilled labour capacity, which is restraining the company from producing the entire quantity within the company.

Production, cost and sales information of Motor Components Ltd. were as under :

Sales Price of Complete Component = ₹ 1,500

Skilled labour capacity per week = 7,500 hours

Production labour rate per hour = ₹ 120

Variable production overhead = 50% of labour cost

Fixed overhead cost = ₹ 5,00,000 per week

Testing cost of complete component = ₹ 20

Each component is finally assembled from three sections made up of one or more parts as under :

	Section		
	I	II	III
Parts per section	5	4	1
Material cost per part (₹)	60	40	20
Production labour minutes per part	18 minutes	15 minutes	30 minutes
The sub-contract price per component of ₹ 1400 made up as under :	₹ 700	₹ 500	₹ 200

The two production strategies available are :

(i) To produce as many completed component as possible within the existing weekly skilled labour capacity and sub-contract the remaining complete components and

(ii) Produce as many of the three sections of the components as possible and sub-contract the remaining section. You are to advise which of the above two production strategies would be more profitable for the company.

Unit – II

(Marks : 20)

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

(a) Draw up a flexible budget for overhead expenses on the basis of the following data and determine the overhead rates at 70%, 80% and 90% plant capacity. Assume fixed overhead will increase by 10% for 90% and above level of activities.

	Capacity levels		
	70% (₹)	80% (₹)	90% (₹)
Variable overheads :			
Indirect labour	—	12,000	—
Stores including spares	—	4,000	—
Semi-variable overheads :			
Power (30% fixed, 70% variable)	—	20,000	—
Repairs and maintenance (60% fixed, 40% variable)	—	2,000	—

	Capacity levels		
	70% (₹)	80% (₹)	90% (₹)
Fixed overheads :			
Depreciation	—	11,000	—
Insurance	—	3,000	—
Salaries	—	10,000	—
Total		62,000	
Estimated direct labour hours		80,000 hours	

(b) Define Budgetary Control. Draw relationship between Budgetary Control and Standard Costing.

(c) Illustrate cost drivers used in Activity Based Costing in manufacturing sector.

(d) PH Ltd. furnishes the following information relating to budgeted sales and actual sales for April, 2017 :

	Product	Sales Quantity (units)	Selling Price per unit (₹)
Budgeted Sales	A	1200	15
	B	800	20
	C	1000	40

Actual Sales	A	880	18
	B	880	20
	C	2640	38

Calculate the following variances :

(i) Sales price variance

(ii) Sales Quantity variance

(iii) Sales mix variance

(iv) Total Sales variance. 5

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

(a) In a manufacturing company sales budget shows annual sales of three products, product A → 13,000 units, product B → 15,000 units and product C → 13,000 units. The closing stock of product A 2,000 units, product B 1,000 units and product C 1,000 units. The opening stock of product A 3000 units, product B 6000 units and product C 4,000 units.

The products required more than one labour operation as detailed below :

Operation	Products		
	A	B	C
X	15 minutes	30 minutes	42 minutes
Y	10 minutes	15 minutes	18 minutes
Z	9 minutes	12 minutes	9 minutes

The hourly rates of workers in different operations are 20 for X operation, 25 for Y operation and 30 for Z operation. Each worker is paid for 3,500 hours operation in a year, of which 500 hours are paid for holiday's and break downs of machines. The number of workers can not be infraction, only in round figures.

There are some idle time which cannot be avoided.

Compute necessary budgets to show Direct labour cost of each of the three products ; number of labour and indirect labour cost of each operations.

(b) (i) The standard material inputs required for 1000 kg. of a finished product are given below :

Material	Quantity (in kg.)	Standard rate per kg. (in ₹)
P	450	20
Q	400	40
R	250	60
	1,100	
Standard Loss	100	
	1,000	

Actual production in a period was 20,000 kgs. of the finished product for which the actual quantities of material used and the prices paid thereof are as under :

Material	Quantity used (in kg.)	Purchase price per kg. (in ₹)
P	10,000	19
R	8,500	42
Q	4,500	65

Calculate the :

(a) Material cost variance

(b) Material price variance

(c) Material usage variance

(d) Material mix variance

(e) Material yield variance.

(ii) 100 skilled workmen, 40 semi-skilled workmen and 60 unskilled workmen were to work for 30 weeks to get a construct job completed. The standard weekly wages were ₹ 60, ₹ 36 and ₹ 24 respectively. The job was actually completed in 32 weeks by 80 skilled, 50 semi-skilled and 70 unskilled workmen who were paid ₹ 65, ₹ 40 and ₹ 20 respectively as weekly wages. Find out the labour cost variance, labour rate variance, labour mix variance and labour efficiency variance. 5+5

[Internal Assessment — 10 marks]