**PG/IVS/COM-405/12(AF)**

# M.Com. 4th Semester Examination, 2012

## ADVANCED COST ACCOUNTING

Optional Group I : ( *Accounting and Finance* )

PAPER– COM-405 (AF)

*Full Marks* : 50

*Time* : 2 hours

*The figures in the right-hand margin indicate marks*

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

**Write the answers to questions of each Unit in separate books**

UNIT – I

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

(*a*) Three products *P*, *Q* and *R* along with a by -product *S* are obtained in a crude state, which require further processing at a cost of Rs. 5 for *P*; Rs. 4 for *Q* and Rs. 2·50 for *Z* per unit before sale. The selling prices for the three main products and by-product, assuming they should yield a net

( *Turn Over* )

margin of 20% on cost, are fixed at Rs. 16, Rs. 10, Rs. 8 and Rs. 1 respectively all per unit quantity sold.

During a period, the joint input cost including the material cost was Rs. 90,750 and the respective outputs were :

| | |
|---|---|
| *P* | 8,000 units |
| *Q* | 6,000 units |
| *R* | 4,000 units and |
| *S* | 1,000 units |

By product should be credited to the joint cost and only the net joint costs are to be allocated to the main products. Calculate the joint cost per unit of each product.

(*b*) The following figures have been extracted from the Financial Accounts of a manufacturing firm for the first year of its operation :

| | Rs. |
|---|---|
| Direct Material consumption | 50,00,000 |
| Direct wages | 30,00,000 |
| Factory overhead | 16,00,000 |
| Administrative overhead | 7,00,000 |
| Selling and Distribution overhead | 9,60,000 |

| | Rs. |
|---|---:|
| Bad debts | 80,000 |
| Preliminary expenses written off | 40,000 |
| Legal charges | 10,000 |
| Dividend received | 1,00,000 |
| Interest received on deposits | 20,000 |
| Sales (1,20,000 units) | 1,20,00,000 |
| Closing stocks : | |
| Finished goods (4,000 units) | 3,20,000 |
| Work in progress | 2,40,000 |

The cost account reveals a profit of Rs. 5,65,160; whereas financial profit is Rs. 12,90,000. As per cost accounts the direct material consumption was Rs. 56,00,000. Factory overhead is recovered at 20% of prime cost. Administrative overhead is recovered at Rs. 6 per unit of production. Selling and distribution overhead is recovered at Rs. 8 per unit sold. Reconcile the profit as per two accounts.

(*c*) Pass the necessary journal entries in the cost accounts under non-integrated system :

| | | Rs. |
|---|---|---:|
| (*i*) | Stores issued to production orders | 19,650 |
| (*ii*) | Stores issued to repair orders | 750 |

| | Rs. |
|---|---|
| (*iii*) Carriage inwards | 500 |
| (*iv*) Productive labour | 29,500 |
| (*v*) Unproductive labour | 1,250 |

(*d*) Illustrate cost-volume profit analysis in marginal costing.

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

(*a*) The following details relate to an inter mediary process in a factory :

| | %Completion | No. of units | Cost (Rs.) |
|---|---|---|---|
| Opening W-I-P : | | 200 | 12,300 |
| (*i*) Material | 50% | | |
| (*ii*) Labour | 80% | | |
| (*iii*) Overheads | 80% | | |
| Transfer from | | | |
| Previous process | 100% | 3,800 | 1,36,800 |
| Process material added | | | 7,900 |
| Direct wages | | | 37,400 |
| Overheads | | | 14,960 |
| Transfer to next process | | | |
| (finished) | 100% | 3,500 | |
| Closing W-I-P : | - | 400 | |
| (*i*) Material | 100% | | |
| (*ii*) Labour | 80% | | |
| (*iii*) Overheads | 80% | | |

Normal loss 10% of total input and scrap value Rs. 2 P.U. prepare :

(*i*) Statement of equivalent units (on FIFO basis);

(*ii*) Statement of evaluation of different items on the basis of equivalent units. 5 + 5

(*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. are as under :

| | |
|---|---|
| Sales price of complete component | Rs. 1,500 |
| Skilled labour capacity per week | 7,500 hours |
| Production labour rate per hour | Rs. 120 |
| Variable production overhead | 50% of labour cost |
| Fixed overhead cost | Rs. 5,00,000 per week |
| Testing cost per complete component | Rs. 20 |

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

| | Section I | Section II | Section III |
|---|---|---|---|
| Parts per section | 5 | 4 | 1 |
| Material cost per part | Rs. 60 | Rs. 40 | Rs. 20 |
| Production labour minutes per part | 18 mins | 15 mins | 30 mins |
| The subcontract price per component of Rs. 1,400 mad up as under | Rs.700 | Rs.500 | Rs.200 |

The two production strategies available are :

(*i*) To produce as many completed components 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 to the company. 10

[ *Internal Assessment* : 5 Marks ]

## UNIT – II

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

(*a*) Explain the following performance criteria in the context of Performance Budgeting : Productivity Ratio, Performance Ratio, and Work Measurement Ratio.

(*b*) Write a note on Target Costing.

(*c*) What is Decision Package ? What are its common contents ?

(*d*) What is Budget Factor ? How important is it in preparing a budget ?

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

(*a*) (*i*) Point out the differences between Standard Costing and Budgetary Control.

(*ii*) The following data could be collected from the cost records of a unit for computing the various fixed overhead variances for a period :

| | Budget | Actual |
|---|---|---|
| Number of working days | 25 | 27 |
| Man-hours per day | 6,000 | 6,300 |
| Output per man-hour (in units) | 1 | 0·9 |
| Fixed overhead (Rs.) | 1,50,000 | 1,56,000 |

Compute all possible fixed overhead variances. 3 + 7

(*b*) Look Ahead Ltd. produces and sells a single product. Quarterwise Sales Budget for the calendar year 2012-13 is given below :

| Quarter | I | II | III | IV |
|---|---|---|---|---|
| No. of units to be sold | 12,000 | 15,000 | 16,500 | 18,000 |

The year is expected to open with an inventory of 4,000 units of finished products and close with an inventory of 6,500 units. Production is customarily scheduled to provide for two-thirds of the current quarter's sales demand plus one-third of the following quarter's demand. Thus production anticipates sales volume by about one month.

The standard cost details for one unit of the product is as follows ;

Direct materials : 10 lbs @ 50 paise per lb.

Direct labour : 1 hour 30 minutes @ Rs. 4 per hour.

Variable overheads : 1 hour 30 minutes @ Re. 1 per hour.

Fixed overheads : 1 hour 30 minutes @ Rs. 2 per hour based on budgeted production volume of 90,000 direct labour hours for the year.

(*i*) Prepare a Production Budget for 2012-13, by quarters, showing the number of units to be produced and the total costs of direct material, direct labour, variable overheads, and fixed overheads.

(*ii*) If the budgeted selling price per unit is Rs. 17, what would be the budgeted profit for the year as a whole ?

(*iii*) In which quarter of the year is the company expected to break-even ? 5 + 3 + 2

[ *Internal Assessment* : 5 Marks ]