2014

M. Com.

4th Semester Examination

ADVANCED COST ACCOUNTING

PAPER — COM-405 (AF)

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* of the following : 5×2

(a) A company maintains separate Cost and Financial Accounts, and the Costing Profit for 2013 differed to that revealed in the Financial Accounts (Rs. 50,000).

(Turn Over)

The following information is available :

	Cost Accounts Rs.	Financial Accounts Rs.
(i) Opening stock of Raw Material	5,000	5,500
Closing stock of Raw Material	4,000	5,300
Opening Stock of Finished Goods	12,000	15,000
Closing Stock of Finished Goods	14,000	16,000

(ii) Dividend of Rs. 1,000 was received by the Company.

(iii) A machine with net book value of Rs. 10,000 was sold during the year for Rs. 8,000.

(iv) The Company charged 10% interest on its opening capital employed of Rs. 80,000 to its process costs.

You are required to determine the profit figure which was shown in the Cost Accounts.

(b) Journalise the following transactions in the integrated books of accounts.

		Rs.
(i)	Credit Purchase	12,00,000
(ii)	Production Wages Paid	7,00,000
(iii)	Stock issued to production orders	8,00,000
(iv)	Works expenses charged to production	4,50,000

		Rs.
(v)	Finished goods transferred from production orders	18,00,000
(vi)	Sales (50% credit)	22,50,000
(vii)	Receipt from Sundry Debtors	11,24,500

(c) (i) Distinguish between Joint Product and By-Product.

(ii) Explain the Net Realisable Value method of apportionment of Joint Cost.

2+3

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

Standard Manufacturing Cost

	Unit Cost (Rs.)
Direct Material	4.00
Direct Labour	4.00
Variable Manufacturing Overhead	2.00
Total Variable manufacturing Cost	10
Fixed manufacturing Cost	4
Total Manufacturing Cost	14

Standard Capacity 1,50,000 units

Selling price Rs. 25 per unit

Production and sales statistics :	*Year-I*	*Year-II*
Units Produced	1,70,000	1,30,000
Units Sold	1,40,000	1,50,000
Inventory Change	(+) 30,000	(–) 20,000

You are required to prepare Comparative Income Statement for the first two years of operations using both Absorption Costing and Marginal Costing.

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

(a) The following data relate to an intermediary Process Q :

(i) Opening Work In Progress 4000 units valued Rs. 45,500,

Degree of completion :

Material 80%; Labour 60% and Overhead 60%

(ii) Received during the month of April, 2013 from the immediately previous Process P 40,000 units valued Rs. 1,75,000.

(iii) Expenses incurred in Process Q during the month

Material Rs. 79,000; Labour Rs. 1,38,230; Overheads Rs. 69,120.

(iv) Closing Work-in-Progress 3000 units

Degree of completion :

Material 100%, Labour and Overhead 50%

(v) Total Units Scrapped 4,000 units.

Degree of completion : Material 100%, Labour and Overhead 80%.

(vi) Normal Loss : 5% of current input (except opening W-I-P units)

(vii) Spoiled goods realised Rs. 2 per unit.

(viii) Completed units are transferred to Finished Stock Account.

Required :

Prepare

(i) Equivalent Unit Statement under FIFO basis;

(ii) Statement of cost per equivalent unit and

(iii) Evaluate the amount of different Output items.

4+2+4

(b) (i) Write the non-cost factors to be considered in Shut down or close down decision in Marginal Costing.

(ii) A company has three branches and their summarised accounting particulars for a period are given below :

Particulars	*Mumbai*	*Kolkata*	*Chennai*
	Rs.	Rs.	Rs.
Sales	4,50,000	4,00,000	7,00,000
Branch expenses :			
Salaries, Commission and Travelling expenses	41,000	40,000	60,000
Advertisement expenses	9,000	10,000	11,000
Other Expenses	10,000	11,000	12,000

Central Office expenses Rs. 1,55,000 apportioned to branches on the basis of sales. 25% of sales is taken as Gross Profit. Based on the above information, prepare a comparative Profit and Loss Statement for the different branches. Offer your views on the contemplated closure of the branch which shows a loss, assuming that in the event of closure of a branch, central office expenses :

(i) Will remain unaffected;

(ii) Can be reduced by 30%.

2+8

Unit—II

[Marks : 20]

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

(a) What is a Budget Factor? How important is it in preparing a budget? 5

(b) Write a note on Activity Based Costing. 5

(c) Distinguish between 'Decision Unit' and 'Decision Package' in the context of Zero Base Budgeting. 5

(d) How can you analyse Labour Cot Variances? 'Labour Idle Time Variance is always an adverse variance'. Explain the statement. 2+3

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

(a) A manufacturing company operates a standard costing system and shows the following data in respect of the month of December :

Actual no. of working days	22
Actual man-hours worked during the month	4,300
No. of units produced	425
Actual amount of overheads increased	Rs. 1,800

Relevant information from the company's budget and standard cost data are as follows :

Budgeted no. of working days per month	24
Budgeted man-hours per month	5,040
Standard man-hours per unit of product	10
Standard overhead rate per man-hour	Rs. 0.50

You are required to calculate for the month of December all possible overhead variances. 10

(b) Monthly budgets for various costs of the only conduct of P. Ltd. for two levels of activity were as follows :

Capacity	*60%*	*100%*	*Capacity*	*60%*	*100%*
Budgeted Production and Sales (Units)	600	1,000	Budgeted Production and Sales (Units)	600	1,000
	Rs.	*Rs.*		*Rs.*	*Rs.*
Direct Materials	9,000	15,000	Advertisement	5,000	?
Direct labour	2,400	4,000	Salesmen's Commission	?	?
Power & Fuel	3,200	4,000	Consumable stores	1,800	3,000
Depreciation on Machine	6,000	6,000	Maintenance	2,200	3,000
Insurance on Factory Building	2,000.	2,000	Rent	10,000	10,000

Additional information:

(i) Minimum Advertisement cost budget is Rs. 4,000 per month; it increase by 20% beyond 50% and upto 80% and by 30% beyond 80%.

(ii) There are three salesmen each of whom get an allowance of Rs. 2,000 per month over and above a commission @ Rs. 10 per unit.

You are required to :

(i) Indicate which of the items are fixed, semi-variable, and variable;

(ii) Prepare a flexible budget for 60%, 70%, 90% and 100% activity levels showing the total cost-both variable and fixed-per unit of output at all these capacity levels. 2+8

[Internal Assessment : 10 Marks]