2019

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 of the following question: **2x5**

a) A company is maintaining non-integrated system of book keeping, prepare necessary accounts in the cost book.

Opening balance of Raw material	Rs. 10.000
Raw material purchases	Rs. 2,90,000
Direct material issued	Rs. 1,70,000
Normal loss of material	Rs. 10,000
Indirect material issued	Rs. 70,000
Closing stock of raw material	Rs. 40,000
Opening stock of W-I-P	Rs. 35,000
Direct wages incurred	Rs. 1,20,000
Production overhead absorbed	Rs. 1,10,000
Closing stock of W-I-P is higher than its opening stock by	Rs. 5,000

b) Write the reasons for differences in Cost Profit and Financial Profit when both the Cost book and Financial book are maintained separately.

c) Distinguish between Joint Product and By Products. What is Depth of Processing?

d) From the following information draw a detail Break Even Chart and explain it.

	(Rs.)
Material cost Per unit	2
Direct labour	1
Variable factory O/H	1
Variable Selling and distribution overhead	1
	Rs.5

Fixed cost Rs.10,000

Income tax:40% of Profit

Dividend : Rs.2.000

Maximum Sales: 4000 units @ Rs.10 per unit

2. Answer one of the following: **1x10**

a) A Ltd. Produces product 'AXE' which passes though two processes before it is completed and transferred to finished stock. The following data related to March,2019.

Particulars	Process I	Process II	Finished stock
Opening Stock	Rs. 7,500	9,000	22,500
Direct material	Rs. 15,000	15,750	
Direct wages	Rs. 11,200	11,250	
Factory overhead	Rs. 10,500	4,500	
Closing stock	Rs. 3,700	4,500	11,250
Inter- Process Profit Included in opening Stock		1,500	8,250

Output of Process-I is transferred to finished stock at 20% profit on the transfer price.

Out put of Process-II is transferred to finished stock at 20% profit on the transfer price. Stock in Process are valued at prime cost.

Finished Stock is valued at the price at which it is received from Process-II sales during the period are Rs. 1,40,000.

Prepare Process Cost Accounts and Finished Goods Account showing the profit element at each stage.

b) Laxmi Ltd. manufactures only one product. Production is regular throughout the year and the capacity of the factory is 1,50,000 units Per annum. The Summarised Profit and Loss Account for the year as under was submitted at a Board Meeting:

Sales@ ₹10 per unit	Rs. 10,00,000
Cost of sales:	
Direct material	Rs. 2,50,000
Direct labour	Rs. 1,50,000
Production overhead:	
Variable	Rs. 30,000
Fixed	Rs. 2,20,000
Administrative overhead:	
Fixed	Rs. 1,00,000
Selling and distribution overhead:	
Variable	Rs. 40,000
Fixed	Rs. 1,60,000
Profit	Rs. 50,000

Different alternative proposals are as follows:

Proposal-I: The Managing Director conveyed to the Board that a large retailer was interested to take a regular order of 30,000 units p.a. at a special price. This would in no way affect the volume or price of the regular sales of the company. No selling and distribution cost would be incurred on this score because the retailer was prepared to collect the product from the factory warehouse at regular intervals. Only a special packing would be required for display purposes and this would cost an additional 20 paise per unit. He wanted to know for his own information the price per unit at which the special order would break-even and the price for quoting purposes, providing a contribution of Rs.50,000.

Proposal-II:

The Sales Director proposed that he should be allowed to increase advertising by Rs.2,40,000 and simultaneously increase the price of the Product by 20%. He expected that he would then be able 10% increase in sales from 1,00,000 units to 1,20,000 units p.a.

Proposal-III

The Personnel Director pleaded for a change in the method of wage remuneration. At present, direct labour was paid a piece rate of Rs.1.50 per unit. If a group bonus scheme were introduced, the output would be better. The proposal was to set a target of 2000 units per week throughout the company's 50 week year. For each 2% Increase in production, there would be an increase of 1% on the basic wages of each employee. No employee would suffer a reduction in basic wages. It was forecast that if the selling price was Increase by 10% and advertising was increased by Rs.1,50,000, sales of 1,20,000 units p.a. would be achieved.

You are required to evaluate individually the proposals of each of the members of the board and give your recommendation.

UNIT-II (Marks: 20)

3. Answer any ***TWO*** of the following questions: **2x5**

a) 'Budgetary control and standard costing are having the common objective is of controlling business operations by establishing pre-determined targets.'- Explain.

b) Enumerate the various factors which should be considered while preparing the sales budget and production budget.

c) Write short notes on: (i) activity based costing; (ii) Zero-based budget

d) From the following information for Moon Ltd, prepare a Cash Budget for the three months commencing on 1st June,2018, when the bank balance was Rs.10,000.

Months (Rs.)	Sales (Rs.)	Purchases (Rs.)	Wages (Rs.)	Selling Expenses(Rs.)	Overhead (Rs.)
April	1,00,000	70,000	8,500	3.500	4,000
May	1,20,000	80,000	9,500	3,500	4,500
June	1,40,000	90,000	9,500	3,500	6,000
July	1,60,000	1,00,000	12,000	3,500	6,500
August	1,80,000	1,10,000	14,000	3,500	7,000

A sale commission of 5% on sales (2 months after sales) is payable in addition to the above selling expenses. Credit terms on sales are-payment by the end of the month following the month of supply. On an average half of sales is paid on the due date, while the other half is paid during the next month.Creditors are paid during the month of supply. Plant purchased in June for Rs.78,000 is payable on delivery Rs.48,000 and the balance in two equal monthly installments, in July and in August. A dividend of Rs.30,000 will be paid in September. Wages are paid 3/4th on due date while the other half is paid during the next month. Lag in payment of selling expenses and overhead is one month.

4. Answer any ***ONE*** of the following questions: **1x10**

a) (i) Distinguish between fixed budget and flexible budget. Briefly state the circumstances in which flexible budgets are prepared. **3+2+5**

(ii) A factory is currently running at 50% capacity and produces 5000 units at a cost of Rs.90 per unit as per details below:

Material	Rs. 50	
Labour	Rs. 15	
Factory Overheads	Rs. 15	(Rs. 6 fixed)
Administrative Overheads	Rs. 10	(Rs. 5 fixed)

The current selling price is Rs. 100 per unit. At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%.

At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%

Estimate profits of the factory at 60% and 80% working and offer your comments.

b) (i) What do you mean by Calendar Variance and Capacity Variance? When do they arise? **2+3+5**

(ii) The standard material inputs required for 1000 kgs. of a finished product are given below:

Material	Quantity (in kg.)	Standard rate (in Rs.) per kg.
P	450	20
Q	400	40
R	250	60
	1100	
Standard loss	*100*	
Standard output	1000	

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 kgs.)	Purchase price per kg.(in Rs.)
P	10,000	19
Q	8,500	42
R	4,500	65

Calculate:

i) Material Cost Variance;

ii) Material Price Variance;

iii) Material Usage Variance;

iv) Material Mix Variance;

v) Material Yield Variance.

(Internal Assessment: 10 Marks)