বিদ্যাসাগর বিশ্ববিদ্যালয়

VIDYASAGAR UNIVERSITY

M.Com. Examinations 2020
Semester IV
Subject: COMMERCE
Paper: COM – 405 (AF)
Advanced Cost Accounting

(Theory)

Full Marks: 40 **Time: 2hrs.**

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

Answer any one question from the following:

1. A Company manufactures 3 lakh units of Product A and 2 lakh units of product B per annum. The following figures are extracted from its cost books related to the cost of above products.

Sales Value	Rs. 44 lakhs
Direct Material	Rs. 8.00 lakhs
Direct labour	Rs. 11.00 lakhs
Factory Overheads	Rs. 11.00 lakhs
Administration and Selling Overheads	Rs. 6.00 lakhs

50% of factory overhead is variable and 50% of administration and selling overheads are fixed. The Selling price of A is Rs. 8 and B is Rs.10 per unit. The direct material and labour ratio for product A is 1:1.5 and for B is 1:1.25. For both the products, the selling price is 400% of direct labour. The factory overhead are charged in the ratio of direct labour and administration and selling O/H are recovered at a flat rate of Re. 1 per unit of A and Rs 1.50 per unit of B.

Due to fall in demand of the above products, the Company has a plan to diversify and make product C using 40% of the present capacity. It has been estimated that for C direct material and labour will be Rs. 1.50 and Rs. 2 respectively.

Other variable cost will be same as applicable to product A. The selling price of C will be Rs. 9 per unit and production will be 3 lakh units.

Assuming balance 60% capacity is used for manufacture of A and B.

(a) Calculate present cost and profit and
(b) Costs and profits after the diversification is implemented and
(c) Your recommendation as to whether to diversify or not.

2. M/s. Chumki Ltd. maintains Integrated Account of Cost and Financial Accounts. From the following details write necessary accounts in the general ledger of the factory and prepare a trial balance:

	Rs.	
Share Capital	3,00,000	
Reserve	2,00,000	
Sundry creditor	5,00,000	
Plant and Machinery		5,75,000
Sundry Deletors		2,00,000
Closing stock		1,50,000
Bank and Cash Balance		75,000
Transactions during the year were as follows:		
Stores Purchased		10,00,000
Stores issued to Production		10,50,000
Stores in hand		95,000
Direct wages incurred		6,50,000
Direct wages charged to Production		6,00.000
Manufacturing expenses incurred		3,00,000
Manufacturing expenses charged to Production		2,75,000
Selling and distribution expenses		1,00,000
Finished stock Production (at cost)		18,00,000
Sales at selling Price		22,00,000
Closing stock		95,000
Payment to creditors		11,00,000
Receipt from Debtors		21,00,000

3. The following data are available in respect of Process I for August, 2020:

(a) Opening stock of work in Process: 800 units at a total cost of Rs. 4,000.

(b) Degree of completion of opening work in Process :

Material	100%
Labour	60%
Overheads	50%

(c) Input of materials at a total cost of Rs. 36,800 for 9,200 units.

(d) Direct wages incurred Rs. 16,740.

(e) Production overhead Rs. 8,370

(f) Units scrapped 1,200 units. The stage of completion of these units was:

Material	100%
Labour	80%
Overheads	60%

(g) Closing work in Ptocess : 900 units, the stage of completion of these units was:

Material	100%
Labour	70%
Overheads	50%

(h) 7,900 units were completed and transferred to the next Process.

(i) Normal loss is 8% of the total input (opening stock plus units put in).

(j) Scrap value is Rs. 5 per unit.

You are required to:

(a) Compute equivalent Production.

(b) Calculate the cost per equivalent unit for each element.

(c) Calculate the cost of abnormal loss (or gain), closing work in Process and the units transferred to the next process using the FIFO method.

(d) Show the Process Account for August, 2020.

4. A Company's plant processes 200000Kg. of raw material in a month to produce two products viz. A and B. The cost of raw material is Rs. 8 per kg. The process costs per month are:

Direct Material	Rs. 100000
Direct Wages	Rs. 150000
Variable Overhead	Rs.150000

Fixed Overhead	Rs.200000

The loss in process is 10% of input and the output ratio of A and B which emerges simultaneously is 1:2. The selling prices of the two products at the point of split off are A Rs. 15 per kg. and B Rs. 20 per kg. A proposal is available to A to process further with other purchased material to get new product X. The price per kg of X is Rs. 18 and each kg of output of X will require one kilogram of input A. The cost of processing A into X (including other material) is Rs. 1, 50, 000 per month.

You are required to prepare statement showing the monthly profitability based both on the existing manufacturing operations and on further processing.

Will you recommend further processing?

5. What are the significances of Break Even Analysis in Marginal Costing? Write the differences between Marginal Costing and Absorption Costing. In make or buy decision what are the cost and non-cost factors to be considered by a manager?

6. Write the needs of integrated accounting between financial accounts and cost accounts. Write the accounting treatment of normal loss, abnormal loss and abnormal gain in Process Costing. What are the factors to be considered in further processing decisions of main products?

7. Explain the effect of the existence of key budget factors in an enterprise.

8. What is activity-based costing? How are product costs determined in activity-based costing?

9. Although both standard costing and budgetary control are valuable aids to management in controlling costs, they differ in many respects. Explain.

10. In what way is Variance Analysis helpful to a company management?

11. State the preliminaries which are to be considered in a sound Budgetary Control System.

12. Explain the factors which are generally considered while preparing the sales budget.