

2022

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 : 2×2

- (a) Pass Journal entries of the following transactions in the cost books, maintaining under non-integrated system :

Purchase of Raw material directly by production centre Rs. 50000.

(Turn Over)

Normal loss of material Rs. 2000.

- (b) Write any two non-cost factors to be considered in make or buy decision in Marginal costing.
- (c) Write any two differences between Main Products and by Products
- (d) Write any two reasons of differences between Profit as per Cost accounting and profit as per financial accounting.

2. Answer any *two* questions :

2×4

- (a) Illustrate the effects of the following on the breakeven point and profit-volume ratio and Margin of Safety under Cost-volume-Profit analysis in Marginal Costing.
 - (i) Decrease in variable cost per unit.
 - (ii) Increase in the Selling price per unit.
- (b) A company maintains separate Cost and financial Accounts and the costing profit for 2021 differs from the profit reported in the financial accounts. The profit in Financial Account shows Rs. 50,000.

The following information is available :

(i)	Cost Accounts (Rs.)	Financial Accounts (Rs.)
Opening stock of Raw Material	5000	5500
Closing Stock of Raw Material	4000	5300
Opening Stock of Finished Goods	12000	15000
Closing Stock of Finished Goods	14000	16000
(ii) Dividend of Rs. 1000 was received by the company.		
(iii) A machine with net book value of Rs. 10000 was sold during the year for Rs. 8000		
(iv) The company charged 10% interest on the opening capital employed of Rs. 80000 to its process cost.		

You are required to determine the profit figure was in the cost accounts.

- (c) Z Company's plant processes 120000 kg of raw material in a month to produce two products viz. A and B. The cost of raw material is Rs. 15 per Kg.

The process costs per month are :

Direct material	Rs. 150000
Direct Labour	Rs. 120000
Variable overhead	Rs. 130000
Fixed overhead	Rs. 100000

The loss in process is 3% of input and the output ratio of A and B is 1 : 2. The selling prices of two products at the point of split off are : A Rs.20 per kg and B Rs.25 per kg.

A proposal is available to Z for quality upliftment by mixing it with other purchased material. The entire current output of the plant can be so processed further to obtain a new product "X". The price per kg of X is Rs. 24 and each kg of output of X will require one kilogram of input A. The cost of processing A into X (including other materials) is Rs. 160000 per month.

You are required to compare monthly profitability statement both on the existing and after further processing.

- (d) Explain the significance of break even chart in Marginal Costing.

3. Answer any *one* question : 1×8

(a) The following data are available in respect of Process-I for the month of May, 2022 :

Input of Material to process-I is	
4200 units valued at	Rs. 23360
Direct labour	Rs. 3860
Production Overhead	Rs. 7860
Transfer to Process-2 is	4100 units
Normal Process loss is 5% of total input and Scrap rate is Rs. 2 per unit	
Stock on 1st May, 2022 :	
800 units valued	Rs. 3900
Degree of completion of opening stock :	
Material	60%
Labour and Overhead	40%
Stock on 31.05.2022 :	700 units
Degree of completion of closing stock	
Material	80%
Labour and Overhead	50%

You are required to calculate

- (i) Equivalent units of different cost elements using FIFO basis.
- (ii) *Cost per unit of each element of cost.*
- (iii) Value of output transferred to process-2.

- (b) A company manufactures 3 lac units of Product P and 2 lac units of Product Q p.a. The following figures are extracted from the cost books related to the cost of above products.

Sales value	Rs. 42 lacs
Direct material	Rs.8 lacs
Direct labour	Rs.10.5 lacs
Factory Overhead	Rs.10.5 lacs
Administrative and Selling overhead	Rs.6.0 lacs

50% of factory overhead and 50% of administrative and selling overhead are variable. The selling prices of P is Rs. 10 p.u. and Q is Rs. 6 p.u. The direct material and labour ratio of product P is 2 : 3 and for Q is 5 : 6. For both the products the selling price is 400% of direct labour. The factory overheads are charged in the ratio of direct labour ; administrative and selling overhead are recovered at a flat rate of Rs. 1 per unit of product P and Rs. 1.20 per unit of product Q.

Due to fall in demand of the above products the company has a plan to diversify and make new product R using 40% of the present capacity. It has been estimated that for R direct material and direct labour will be Rs. 1.25 and Rs. 1.50 respectively. Other variable cost will be same as applicable to product P. The selling price of R will be Rs. 8 and production will be 2.5 lac units.

Assuming that balance 60% capacity is used for manufacturer of P and Q

Required :

- (i) To calculate present cost and profit ;
- (ii) To calculate cost and profit after diversification plan is implemented.

Unit - II

(Marks : 20)

4. Answer any *two* questions : 2×2

- (a) Write the reasons of Material Cost variances.
- (b) Mention the reasons of labour cost variances.
- (c) What do you mean by Cost drivers in activity based costing ?
- (d) What do you mean by Standard Cost ?

5. Answer any *two* questions : 2×4

- (a) From the following information of a company, calculate the material variances

Material	Standard			Actual		
	Qty. (Units)	Rate (Rs.)	Amount (Rs.)	Qty. (Units)	Rate (Rs.)	Amount (Rs.)
A	500	6	3000	7000	5	35000
B	400	9	3600	5000	10	50000
C	700	7	4900	10000	6	60000
	1600		11500	22000		145000

- (b) 100 skilled workmen, 40 Semi-skilled workmen and 60 unskilled workmen were to work for 30 weeks to get a contract job completed.

The standard weekly wages were Rs. 100, Rs. 60 and Rs. 40 respectively. The job was actually completed in 32 weeks by 90 skilled, 35 semi-skilled and 100 unskilled workmen, who were paid Rs. 120, Rs. 70 and Rs. 30 respectively as weekly wages.

Find out the labour cost variance, labour rate or pay variance, labour mix variance and labour efficiency variance.

- (c) Enumerate the various factors which should be considered while preparing the sales budget and production budget.
- (d) Write a short note on Zero base Budgeting.

6. Answer any *one* question :

1×8

- (a) In department X the following data are submitted for the week ended 31st May, 2022

Standard output for 40 hours per week	1400 units
Standard Fixed Overhead	Rs. 1400
Standard Variable overhead	Rs. 1600
Actual output	1200 units
Actual hours worked	32 hours
Actual fixed Overhead	Rs. 1500
Actual Variable Overhead	Rs.1800

Calculate necessary variances.

- (b) (i) Briefly state the circumstances in which flexible budget is prepared.
- (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	15
Factory Overheads	15 (Rs. 6 fixed)
Administrative Overheads	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. 2+6

[Internal Assessment — 10]
