

M.Com. DEGREE (CSS) EXAMINATION, JULY 2014**Fourth Semester****Faculty of Commerce****Elective—Finance****AC04C16—ADVANCED COST ACCOUNTING****(2012 Admission—Regular)****[Common for all Electives]****Time : Three Hours****Maximum Weight : 30****Section A**

*Answer any five questions.
Each question carries 1 weight.*

1. What is integral accounting ?
2. Define budgetary control.
3. What are the possible causes of volume variance ?
4. What do you understand by equivalent production ?
5. What is Break-Even analysis ?
6. What is a profit centre ?
7. What is abnormal gain ?
8. What is meant by joint products.

(5 × 1 = 5)**Section B**

*Answer any five questions.
Each question carries 2 weights.*

9. The product of company passes through three distinct processes to completion. They are known as A, B and C. From past experience it is ascertained that loss is incurred in each process as Process A. – 2 % Process B – 5% and Process C – 10 %. In each case the Percentage of Loss is computed on the number of units entering the process concerned. The loss of each process possesses a scrap value. The loss of process A and B is sold at Rs. 5 per 100 units and that of process C at Rs. 20 per 100 units. The output of each process passes to the next process and finished units are passed from process C into stock :

Turn over

| | | Process A | Process B | Process C |
|------------------------|-----|-----------|-----------|-----------|
| | | Rs. | Rs. | Rs. |
| Materials consumed | ... | 6,000 | 4,000 | 2,000 |
| Direct Labour | ... | 8,000 | 6,000 | 3,000 |
| Manufacturing expenses | ... | 1,000 | 1,000 | 1,500 |

20,000 units have been issued to process A at a cost of Rs. 10,000. The output of each process has been as under.

Process A : 19,500, Process B-18,800, Process C 16,000. There is no work in progress in any process. Prepare process account.

10. Calculate variances from the following data :

| | | Standard | Actual |
|------------------------------------|-----|--------------|--------------|
| No. of Men employed | ... | 100 | 90 |
| Output in units | ... | 5,000 | 4,800 |
| Number of working days | ... | 20 per Month | 18 per month |
| Average wages per man per month... | | Rs. 200 | Rs. 198 |

11. For the production of 10,000 electric automatic irons, the following are the budgeted expenses :

| | Per unit (Rs.) |
|--|----------------|
| Direct material | ... 60 |
| Direct labour | ... 30 |
| Variable overhead | ... 25 |
| Fixed overhead (Rs. 1,50,000) | ... 15 |
| Variable expenses (direct) | ... 5 |
| Selling expenses (10 % fixed) | 15 |
| Administration expenses (Rs. 50,000 rigid) | |
| for all levels of production | ... 5 |
| Distribution expenses (20 %) fixed | ... 5 |
| Total cost of sale per unit | ... 160 |

Prepare a budget of the production of 6,000, 7,000 and 8,000 irons, showing distinctly the marginal cost and total cost.

12. From the following find out :

- P/v ratio.
- BE Point.
- Sales for 40 % P/v ratio.
- Margin of safety from the sales Rs. 3,00,000.
- Net Profit from the sales of Rs. 3,00,000.

- (f) Required sales for the net profit of Rs. 70,000.
 (g) Required sales for the net profit of Rs. 70,000 after tax, the corporate tax rate being 60 %.
 (h) Additional sales required to cover an increase of Rs. 3000 p.a. in the sales manager's salary position of the Company for the year 2004.

| | | Rs. |
|-------------------|---|---------------|
| Sales | — | 2,00,000 |
| Variable overhead | — | 1,50,000 |
| Contribution | — | 50,000 |
| Fixed overhead | — | 15,000 |
| Net profit | | <u>35,000</u> |

13. What is meant by cost volume Profit Analysis ? Explain its importance.
 14. Describe briefly the procedure for establishing std. costs within the divisions of material labour and overhead cost.
 15. Define control A/c and explain its significance in cost accounting.
 16. What do you understand by ZBB ? How is it different from traditional budgeting.

(5 × 2 = 10)

Section C

*Answer any three questions.
 Each question carries 5 weights.*

17. The P/V ratio of a firm dealing in precision instruments is 50 % and margin of safety is 40 %. You are required to work out Break Even Point and the Net Profit if the sales volume is Rs. 50,00,000. If 25 % of variable cost in labour cost, what will be the effect on BEP and profit when labour efficiency decreases by 5 %.
 18. From the following information for March, 2012 prepare process cost accounts for process II by applying FIFO method.

Opening stock : 600 units Rs. 1050

Degree of completion : Materials—80 % labour 60 % and overhead 60 %.

Transfer from process I—11000 units at Rs. 5,500.

Transfer from process III—3800 units.

Direct materials added to Process II—Rs. 2,410.

Direct labour amounted to Rs. 7,155.

Production overhead incurred Rs. 9,540.

Units scrapped—1,200.

Turn over

Degree of completion-materials—100 % labour 70 % and overhead 70 %.

Closing stock : 1600 units

Degree of completion—material—70 %, labour—60 % and overhead—60 %

There was a normal loss in the process of 10 % of production. Units scrapped realised at 50 paise per unit.

19. The financial records by Modern Manufactures reveal the following data for the year ended March 31, 1998.

| | (Rs. in thousands) | |
|--|--------------------|-------|
| Sales (20,000 units) | ... | 4,000 |
| Materials | ... | 1,600 |
| Wages | ... | 800 |
| Factory overheads | ... | 720 |
| Office and Administration overhead | ... | 416 |
| Selling and distribution overhead | ... | 288 |
| Closing stock of finished goods (1230 units) | ... | 240 |
| Work in Progress : (Closing) | Rs. | |
| Materials | 48 | |
| Labour | 32 | |
| Overhead (factory) | <u>32</u> | 112 |
| Goodwill written off | | 320 |
| Interest on capital | | 32 |

In the costing records, factory overhead is charged at 100 % of wages, administration overhead at 10 % of works cost and selling and distribution overhead at Rs. 16 per unit sold.

Prepare a statement reconciling the profit as per cost records with the profits as per financial records of the company.

20. From the following, calculate overhead variances :—

| | Budgeted | Actual |
|---------------------|--------------|--------------|
| Output | 15,000 units | 16,000 units |
| No. of working days | 25 | 27 |
| Fixed overhead | Rs. 30,000 | Rs. 30,500 |
| Variable overhead | Rs. 45,000 | Rs. 47,000 |

There was an increase of 5 % in capacity.

21. What are the by-products ? How will you classify by products ? Discuss the method of accounting used.
22. Explain different types of budgets ? What is the purpose of classification . How does it help to operate budgetary control techniques efficiently and effectively ?

(3 × 5 = 15)