PG/IVS/COM-405/15

M.Com. 4th Semester Examination, 2015

ADVANCED COST ACCOUNTING

PAPER – COM- 405 (Unit-I & II)

Full Marks : 50

Time : 2 hours

The figures in the right hand margin indicate 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*) Pass Journal entries in the cost books, maintained on non-integrated system, for the following :

(*i*) Issue of materials : Direct Rs.5,50,000
Indirect Rs. 1,50,000

(*ii*) Allocation of wages : Direct Rs. 2,00,000
Indirect Rs. 40,000

(*iii*) Factory Overhead (Over absorbed)Rs. 20,000
Administration Overhead
(under absorbed) Rs. 10,000

(*b*) State the need for reconciliation of profit between cost accounts and financial accounts.

(*c*) A company produces its main product pee and in course of its manufacture, a by-product Lee is produced, which after further processing has a commercial value. For the month of April 2015, the following are the summarized cost data :

Particulars	Joint expenses (Rs.)	Separate Expenses	
		Pee	Lee
No. of units produced		5000	3000
		Rs.	Rs.
Materials	80000	35000	8000
Labor	40000	25000	5000
Overheads	30000	20000	2000
Selling price per unit		80	20
Estimated profit per unit on sale of Lee			5

The factory uses reverse cost method of accounting for by-products.

You are required to prepare statement showing the joint cost allocable to Pee and Lee.

(*d*) A fashion company manufactures ladies' wear. It plans to sell maxi skirts in one year at a price of Rs. 150, the cost of which is Rs. 70 each. During the year, out of the manufactured 15000 skirts only 10000 have been sold. Fashion has now changed and so it is not possible to sell the remaining stock. The Sales Manager finds two alternative courses of action. The skirts can be restyled as Miniskirts or they can be sold as rejects. Cost of restyling will be Rs. 2,00,000 and it is forecast that the Miniskrits can be sold for Rs. 110 each ; while the scrap value of the off cuts will be Rs. 50000. If the company decides to sell the stock as rejects, the resulting proceeds will be Rs. 3,00,000. What will be your advice to the Sales Manager ?

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

(*a*) Product X passes through three processes before it is transferred to finished stock. The following information is obtained for the month of July :

	Process-I	Process-II	Process-III	Finished Stock
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Opening Stock	5,000	8,000	10,000	20,000
Direct Material	40,000	12,000	15,000	—
Direct Wages	35,000	40,000	35,000	—
Manufacturing Overhead	20,000	24,000	20,000	—
Closing Stock	10,000	4,000	15,000	30,000
Profit (% on transfer price to next process)	25%	20%	10%	—
Inter-process profit for opening stock	—	1,395	2,690	6,534

Stock in processes is valued at prime cost and finished stock has been valued at the price at which

it is received from Process III. Sales during the period were Rs. 4,00,000.

Prepare Process Accounts showing profit element at each stage and compute the realized profit amount. 10

(*b*) (*i*) Briefly state the cost volume profit (C-V-P)

(*ii*) BT Ltd. facer problems of labour. Total available labour hours is limited to 15000 p.m. It can produce two products Q_1 and Q_2 which required same type of materials. Other relevant data are as follows.

	Product Q_1 (Rs.)	Product Q_2 (Rs.)
Variable cost per unit :		
Direct material	20	25
Direct wages	15	12
Direct expenses	5	13
Selling price per unit	45	60
Labour hours per unit	2	5

Determine which product should be manufactured and sold. 4 + 6

UNIT – II

[*Marks* : 20]

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

(*a*) Distinguish between standard costing and budgetary control.

(*b*) From the following information of a company, calculate (*i*) Sales Value Variance (*ii*) Sales Volume Variance and (*iii*) Sales Price Variance.

Products	Budgeted		Actual	
	Units	Sales Value (Rs.)	Units	Sales Value (Rs.)
P	100	1,200	100	1,100
Q	50	600	50	600
R	100	900	200	1700
S	75	450	50	300
	325	3150	400	3700

(*c*) Write a short note on 'Target Costing'.

(*d*) Goodluck Ltd. Is currently operating at 75% of its capacity. In the past two years, the levels of operations were 55% and 65% respectively. Presently, the production is 75000 units. The Company is planning for 90% capacity level during 2015-16. The cost details are as follows :

	55 %	65 %	75%
	Rs.	Rs.	Rs.
Direct Materials	11,00,000	13,00,000	15,00,000
Direct Labour	5,50,000	6,50,000	7,50,000
Factory Overheads	3,10,000	3,30,000	3,50,000
Selling Overheads	3,20,000	3,60,000	4,00,000
Administrative Overheads	1,60,000	1,60,000	1,60,000
	24,40,000	28,00,000	31,60,000

Profit is estimated @ 25 % on Sales.

The following increase in costs is expected during the year :

Direct Material	10%
Direct Labour	8%

Variable Factory Overhead	5 %
Variable Selling Overhead	3 %
Fixed Factory Overhead	10 %
Fixed Selling Overhead	12 %
Administrative Overhead	10 %

Prepare Flexible Budget for the period 2015-16.

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

(*a*) (*i*)

Material	Standard			Actual		
	Qty. (Units)	Rate (Rs.)	Amount (Rs.)	Qty. (Units)	Rate (Rs.)	Amount (Rs.)
A	500	6	3,000	7000	5	35,000
B	400	9	3,600	5000	10	50,000
C	700	7	4,900	10,000	6	60,000
Less :	1,600		11,500	22,000		1,45,000
Loss :	100		–	2000		–
	1,500		11,500	20,000		1,45,000

From the above information, calculate the material variances.

(*ii*) From the following table calculate Variable Overhead Variances.

Budgeted Activity	5,000 units
Actual Activity	80 %
Actual Production	3750 units
Actual Variable Cost	Rs. 85,000
Budget of Variable overhead (for each 5% variation in activity)	Rs. 5,000

5 + 5

(*b*) In a manufacturing company sales budget reveals annual sales of three products : Product *A* –9000 units, product *B*–15000 units and Product *C*– 14000 Units. The closing Stock of *A* is 1000 units and that of *C* is 2000 units. Opening Stock of *B* is 5000 units and *C* is 4000 units. The products require more than one labour operations as detailed below :

Operations	Products		
	A	*B*	*C*
X	18 min	42 min	30 min
Y	–	12 min	24 min
Z	9 min	6 min	

The hourly rates for workers are Rs. 5 for *X*, Rs. 7 for *Y* and Rs. 8 for *Z*. Each worker is paid for 2,200 hours in a year ; of which 200 hours are paid for holidays and break down of machines. Since the number of workers connot be in fraction, some idle time can not be avoided.

Prepare necessary budgets to show direct labour cost of three products, indirect labour cost and total labour cost of each operation. 10

[*Internal Assessment* : 10 Marks]
