M.COM [PART – I]

-: ACCOUNTS GROUP :-

ADVANCED COST ACCOUNTING

(PAPER- II) (JUNE - 2019)

/ Accountancy : Paper II - Advanced Cost Accounting.

(3 HOURS) [TOTAL MARKS 100]

N.B.

1) Q. No. 1 and 2 are compulsory. Attempt any four questions from the remaining.
2) Question No. 1 carries 20 marks and all remaining questions carry 16 marks each.
3) All Sub-questions carry equal marks unless specified to the contrary.
4) Workings to form part of the solutions and necessary assumptions to be made and stated clearly

Q1. Sunder manufacturing company produces 7500 units by utilising its 75% capacity, Supplies you the following cost information: **(20)**

Cost information at 75% Capacity Utilisation (For 7500 units)

Particulars	Rs
Direct Materials	750000
Direct Labour	600000
Direct Expenses	300000
Factory Overheads	450000
Office Overheads	300000
Selling Overheads	150000

Additional Information:

a) Direct material, direct labour and direct expenses are variable cost.
b) Factory overheads per unit increases by 10% , if capacity utilisation goes down below the 75% and decreases by 15% if capacity utilisation goes up above the 75% .
c) Office overheads are fixed overheads.
d) Selling overheads per unit increases by 20% if capacity utilisation goes down below 75% and decreases by 25% if capacity utilisation goes up above the 75%.
e) It is the policy of the company to charge profit at 20% on selling price.

You are required to prepare a flexible budget at 50% , 75% and 100% capacity utilisation .

Q2. (A) Choose the most appropriate alternative from those below and rewrite the sentence **(8)**

1. A budget that gives indication of purchases to be made as derived from production figures is known as
   1) Fixed Budget 3) Production Budget
   2) Flexible Budget 4) Purchase Budget

2. When the variance is due to the difference between actual overhead and applied overhead, it is called as
   1) Effective Variance 3) Spending Variance
   2) Total Overhead Variance 4) Volume Variance

3. Under integrated system of accounting issue of indirect raw material for production is
   1) Purchase Account 3) Stores Ledger Control Account
   2) Work-in-Progress control Account 4) Works Overhead Control Account

4. Normal Loss is equal to
   1) Normal Output – Actual Output
   2) Input x % of Normal Loss
   3) Actual Output – Normal Output
   4) None of the above

5. Effective Kilometres
   1) Run x Load
   2) One way trip (km) x Trips per day x Days operated
   3) Carriage Capacity X Usage Rate
   4) Takings x Distance of trip

6. This is essential to make the cost ledger 'self – balancing'
   1) General ledger adjustment Account
   2) Stores ledger control Account
   3) Work-in-progress ledger
   4) Finished goods control Account

7. Contribution margin is also known as
   1) Gross profit
   2) Earning before tax
   3) Net profit
   4) Marginal income

8. When fixed costs increases , the breakeven point
   1) Increases
   2) No effect
   3) Decreases
   4) Can't say

(B) State whether the following statements are true or false **(8)**

1) Under Integrated Account System Cost accounts and Financial accounts are maintained in separate sets .
2) Operating Costing method is used by manufacturing organisations.
3) MOS is always below BEP.
4) Fixed Budget refers to budget for fixed assets.
5) Sales budget provides the necessary input data for the Direct Labour Budget .
6) Labour Cost Variance is further divided into Labour Yield Variance and Labour Rate Variance .
7) Costs Accountant in employment can be a Cost Auditor .
8) Increase in price leads to lower Margin of Safety .

Q3. Kala Automobiles distributes its goods to a regional trader using a single lorry. **(16)**

The trader's premises are 40kms away by road. The lorry has a capacity of 10 tonnes and makes the journey twice a day fully loaded on the outward journeys and empty on return journeys.

You are given data for 4 weekly periods during the year 2018.

Petrol consumption 8kms per litre

Petrol cost Rs 13 per litre

Oil Rs 100 per week

Driver's wages Rs 400 per week

Repairs Rs 100 per week

Garage rent Rs 150 per week

Cost of lorry Rs 4, 50,000 (excluding tyres)

Life of lorry 80,000 kms

Insurance Rs 6,500 p.a

Cost of tyres Rs 6,250

Life of tyres 2,500 kms

Estimated Scrap value of lorry at the end of its life Rs 50,000

Vehicle licence cost Rs 1,300 p.a

Other overhead cost Rs 41,600 p.a

The lorry operates on a Five-day-week

You are required to

a) Show the statement of the total cost of operating the vehicle for the 4 weekly periods, analysed into running costs and fixed costs.

b) Calculate vehicle cost per km. and per tonne km.

Q4. Arun Ltd . and Varun Ltd . are manufacturing the same product . **(16)**

The profit and loss details are as under :

Particulars	Arun Ltd . Rs	Varun Ltd . Rs
Sales	10,00,000	10,00,000
Less : Variable cost	4,00,000	6,00,000
	6,00,000	4,00,000
Less: Fixed Cost	3,00,000	1,00,000
Profit	3,00,000	3,00,000

You are required to :

1. Calculate Contribution / Sales ratio for each company .
2. Calculate BEP for each company .
3. Profits of each company if Sales increase by 20%
4. Profits of each company if sales decrease by 20%.

Q5. Sudhir Enterprises operates an integral System of accounting . **(16)**
You are required to pass the journal Entries for the following transactions that took place for the year ended 30-06-2003 .

Particulars	Rs
Raw Materials purchased (50% on credit)	6,00,000
Materials issued to production	4,00,000
Wages paid (50% direct)	2,00,000
Wages charged to production	1,00,000
Factory Overheads incurred	80,000
Factory Overheads charged to production	1,00,000
Selling and Distribution Overheads Incurred	40,000
Finished goods at cost	5,00,000
Sales (50% credit)	7,50,000
Closing stock	Nil
Receipts from Debtors	2,00,000
Payments to Creditors	2,00,000

Q6. Following information has been made available from the cost records of a Santosh company manufacturing spare parts : **(16)**

Particulars	Per Units
Direct Materials	
-A	Rs 8
-B	Rs 6
Direct Wages	
-A	4 hours at Rs 2 per hour
-B	6Hours at Rs 2 per hour
Variable overheads	150% of wages
Fixed Overheads	Rs 750
Selling Price of A	Rs 30
Selling Price of B	Rs 35

The directors want to be acquainted with the desirability of adopting any one of the following alternative sales mixes in the budget for the next period :

1) 250 Units of A and 250 units of B — 2) 400 units of B only
3) 400 units of A and 100 units of B — 4) 150 units of A and 350 units of B

State which of the alternatives sales mixes you would recommend to the management .

Q7 M/S. Arvind .Ltd. is engaged in chemical industry. **(16)**

During the month of April, 2000 units were introduced in process 'X'. The normal loss was estimated at 5% of input. At the end of the month, 1400 units were completed and transferred to process Y 460 Units are incomplete and 140 units after passing through the process fully had to be scrapped in full. The incomplete units had reached the following stage of completion.

Material	75% complete
Labour and Overhead	50%

Following further information is available relating to the process 'X':

Cost of 2000 units	58,000
Additional Direct Materials	14,400
Direct Labour	33,400
Direct overhead	16,700

Units scrapped realised Rs 10 each. Prepare Statement of Equivalent Production, Statement of cost, Statement of Evaluation and process 'X' Account (Method to followed FIFO)

Q8. Soham manufacturing company uses the following standard mix of their compound in one batch of 100 kgs of its production line **(16)**

50 kgs of material X at the standard price of Rs 2.
30 kgs of material Y at the standard price of Rs 3.
20 kgs of material Z at the standard price of Rs 4.

The actual mix for a batch of 120 kgs was as follows:

60 kgs of material X at the price of Rs 3.
40 kgs of material Y at the price of Rs 2.5.
10 kgs of material Z at the price of Rs 3.

Calculate the different Material Variances.

Q9 Write short notes on any FOUR of the following. **(16)**

1. Usefulness of Cost Audit
2. Labour Variances
3. Benefits of budgetary control
4. Profit Volume Ratio
5. Features of Non Integrated System of Accounting
6. Equivalent Units
