

M.COM [PART-I]**-: ACCOUNTS GROUP :-****ADVANCED COST ACCOUNTING****(PAPER - II) (JAN-2020)****[Time: 3 Hours]****[Marks:100]****Please check whether you have got the right question paper.**

- 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

Q:1 From the following information prepare a cash budget for the six months ended [20] 30.6.2018 of Seema Co. Ltd.

Estimated Revenue and Expenditure

Month	Total sales	Material	Wages	Production Overhead	Selling and distribution overhead
Dec 2017	44,000	32,000	8,000	6,000	1,700
January 2018	40,000	40,000	8,000	6,400	1,600
February 2018	44,000	28,000	8,800	6,600	1,800
March 2018	48,000	28,000	9,200	6,600	1,600
April 2018	52,000	24,000	9,200	6,800	1,800
May 2018	56,000	24,000	9,600	7,000	1,800
June 2018	60,000	32,000	9,600	7,200	2,000

Additional Information:

1. Cash balance on 1st January 2018 was Rs. 20,000.
2. A new machine is to be installed at Rs. 60,000 on credit to be repaid in two equal instalments in March 2018 and April 2018.
3. Sales commission at 5% on total sales is to be within the month following actual sales.
4. Rs. 2,000 being the amount of second call may be received in March 2018.
5. Share premium amounting to Rs. 4,000 is also obtainable with second call.
6. Period of credit allowed by suppliers is one month.
7. Period of credit allowed to customers is one month.
8. Delay in payment of overhead is one month.
9. Delay in payment of wages is half month

Assume cash sales to be 50% of total sales

Q:2 A Choose the most appropriate alternative from those below and rewrite the sentence [8]

1. Process Cost is based on the concept of

- | | |
|------------------|----------------------|
| 1) Average Cost | 3) Marginal Cost |
| 2) Standard Cost | 4) Differential Cost |

2. When a flexible budget is used , a increase in the actual production level within a relevant range would increase
 - 1) Total cost
 - 2) Variable cost
 - 3) Fixed cost
 - 4) Both (a) and (b) above
3. A standard which is established for use unaltered for an indefinite period is called
 - 1) Current standard
 - 2) Basic standard
 - 3) Ideal standard
 - 4) Expected standards
4. The legal provision relating to statutory cost audit are applicable to
 - 1) Co-operative societies
 - 2) LLPs
 - 3) partnership
 - 4) None of the above
5. Operating costing uses the methods of _____ costing when costing a particular trip by a bus
 - 1) Operation
 - 2) Process
 - 3) Marginal
 - 4) Job
6. The cost auditor must be familiar with the provisions of
 - 1) Labour law
 - 2) Sales of Goods Act
 - 3) Negotiable Instrument Act
 - 4) Companies Act, 1956
7. When selling price decreases , then breakeven point
 - 1) Increase
 - 2) No effect
 - 3) Decreases
 - 4) Can't say
8. Contribution is the different between
 - 1) Sales and variable cost
 - 2) Sales and fixed cost
 - 3) Sales and total cost
 - 4) Factory cost and profit

B] State whether the following statements are true or false

[8]

- a) Invisible waste has no sale value.
- b) Normal loss is treated as normal cost of production.
- c) The zero –based budget forces management to rethink each phase of an organization's. Operations before allocating resources.
- d) A flexible budget is budget for semi-variable overhead costs only.
- e) Material usages variance is equal to (Standards Quantity- Actual quantity) x standard Price.
- f) Royalty is an item of cost of production under cost accounting record rules.
- g) Efficiency audit ensures optimum return of capital employed.
- h) Absorption costing ignores the cost – volume- profit relationship.

Q:3 Person owns a bus that runs between Mumbai and Satara and back, for 10 days in [16] a month. The distance form Mumbai to Satara is 150kms. The bus completes the trip form Mumbai to Satara and return in the same day. The bus goes another 10 days in a month towards Alibagh. The distance from Mumbai to Alibagh is 120

kms. The trip is also completed on the same day. For the rest 4 Days of its operation in month it retunes locally in Mumbai. Covering daily distance of 40 kms. Calculate the rate that the person should charge from passenger when he wants to earn the profits of 25 % on his taking and also calculate the charge per passenger for both the out station trips. The information is given as follows:

Cost of the bus Rs. 6,00,000 (depreciation @ 20% p.a. : Normal Capacity : 50 persons)

Salary to Driver	Rs. 5000 per month
Salary to conductor	Rs. 5000 per month
Fixed office overheads	Rs. 2000 per month
Fuel (consumed @4 kms /litre)	Rs. 35 per litre
Insurance	Rs. 7,200 per month
R.T.O. tax	Rs. 600 per annum
Lubricant oil	Rs. 10 per 100 kms
Repairs and Maintenance	Rs. 500 per month
Permit fee	Rs. 300 per month

Passenger's tax is 20% of the net takings. The bus is occupied 90% of its capacity while on Satara trip and 80% of its capacity on Alibagh, but is fully occupied in its local Journey.

Q:4 Shivam electronic Ltd. furnishes you the following income information of the year 2018. [16]

Particulars	First half (Rs)	Second half (Rs)
Sales	8,10,000	10,26,000
Profit	21,600	64,800

From the above table you are required to compute the following assuming that the fixed cost remains the same in both the periods.

- P/V Ratio
- Fixed cost
- Break –even point
- Variable cost for first and second half of the year
- The amount of profit or loss where sales are Rs. 6,48,000
- The amount of sales required to earn a profit of Rs. 1,08,000

Q:5 You are required to pass the journal Entries for the following transactions that took [16]
place for the year ended 30-06-2003.

Particulars	Rs.	Rs
<ul style="list-style-type: none"> • Material control A/C • Work-in-Progress control A/C • Finished Good control A/C • Cost ledger control A/C 	1,20,000 1,80,000 2,80,000	5,80,000
Transaction for the year		
<ul style="list-style-type: none"> • Material Purchase Material use as: <ul style="list-style-type: none"> • Direct Material • Indirect material Wages paid allocated as: <ul style="list-style-type: none"> • Direct cost • Indirect cost • Production Expenses • Value of finished goods produced • Closing stock of finished goods • Administration exposes • Selling expenses • Sales 		13,20,000 9,00,000 2,40,000 5,40,000 1,80,000 4,80,000 21,60,000 2,40,000 4,80,000 3,60,000 36,00,000

Prepare the necessary control accounts in books of costing record

Q:6 M/s. AB CO. Ltd. is engaged in Engineering Industry. During the month of April, [16]
2,000 units were introduced in process 'X'. The normal loss was estimated at 5% of
input. At the end of the month 1,400 units were completed and transferred to process
'Y'. 460 units were 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% Completed
- Labour and Overhead 50% Completed

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

- Cost of 2,000 units Rs.58,000
- Additional Direct Materials Rs.14,400
- Direct Labour Rs.33,400
- Production Overhead Rs.16,700
- Units scrapped realized Rs.10 each.

Prepare Statement of Equivalent production, Statement of cost, Statement of
Evaluation and Process 'X' Account.

Q:7 The following figures are extracted from the books of a company. [16]

Particular	Budget	Actual
Output in units	15,000	16250
Hours	7,500	8,250
Overheads cost:		
Fixed	Rs.3,000	Rs.3,125
Variable	Rs.15,000	Rs.16,625
Total overhead Cost	Rs.18,000	Rs.19,750
Number of days	50	54

You are required to calculate the following overheads variances:

1. Overheads Cost Variance
2. Variable overhead cost
3. Fixed overhead cost variance
4. Fixed overhead volume variance
5. Fixed overhead efficiency variance
6. Fixed overhead capacity variance

Q:8 The following information in respect of Product X and Y of ABC Co. Ltd. [16]

Particulars	Products	
	X	Y
Sale price	Rs.1000	Rs.640
Direct Material	Rs.400	Rs.400
Direct Wages	Rs.100	Rs.200
Variable Overheads	100% Direct Wages	100% Direct Wages

Fixed overheads are Rs.30, 000.

You are required to :

- A. Calculate and present the marginal product costs and contribution per unit
- B. State which of the following alternative sales mixes you would recommend? and Why?
 - a) 100 units of product X and 50 units of Y
 - b) 50 units of product X and 100 units of Y
 - c) 150 units of product X only
 - d) 150 units of product Y only

Q:9 Write short notes on any FOUR. [16]

1. Advantage of Standard costing.
2. Explain the Social objectives of cost audit.
3. Absorption Costing
4. Advantages Non –integrated costing system.
5. Features of Marginal Costing.
6. Equivalent Production.
