

M.COM (Part-I)
Accountancy Group
Advance Cost Accounting
(Paper – II) (May-2017)

Q.P. Code :11810

[Time: 3 Hours]

[Marks:100]

Please check whether you have got the right question paper.

- N.B:**
1. All questions are **compulsory**.
 2. **Figures** to the **right** indicate **full marks** allotted to the question
 3. **Working notes should form part of the answer.**

- Q.1 Prepare a Cash budget of a company for 6 months from January 2016 to June 2016, in a columnar form using the following information :

Months	Sales (Rs.)	Material (Rs.)	Wages(Rs.)	Production overheads(Rs.)	Administration overheads (Rs.)	Selling overhead (Rs.)
Oct, 2015	2,00,000	1,00,000	25,000	21,000	8,500	22,500
Nov, 2015	1,50,000	75,000	22,500	20,000	8,250	20,000
Dec, 2015	1,00,000	50,000	20,000	18,750	8,750	17,500
Jan, 2016	1,25,000	1,00,000	22,500	20,000	9,250	20,000
Feb, 2016	1,50,000	1,25,000	25,000	21,250	9,750	21,500
Mar, 2016	2,00,000	1,50,000	27,500	22,500	9,000	23,250
April, 2016	1,75,000	1,25,000	22,500	20,000	8,750	22,750
May, 2016	1,50,000	75,000	20,000	18,750	9,250	22,000
June, 2016	1,25,000	1,00,000	22,500	20,000	9,750	21,000

Further information :-

1. Creditors allow credit period of 2 months.
2. Creditor period allowed to debtors is 3months.
3. Log in payment of wages is 18 month.
4. Log in payment of all overheads is 1month.
5. A sales commission of 10% on sales is to be paid in month following actual sales.
6. Interior installations to be installed in March 2016 at a cost of Rs 40,000 to be paid in monthly instalment of Rs 20,000, starting from 1st May 2016.
7. Extension to the plant at the cost of Rs 20,000 installed in Jan, 2016. Payment to be made in Feb 2016.
8. Annual maintenance contract for plant for Rs 1,20,000 is taken to be paid monthly equally from January, 2016.
9. Income Tax Rs 2,00,000 is due in April 2016.
10. Dividend on investments is expected in May 2016, Rs. 1,75,000

- Q.2 A) Select the appropriate option and Rewrite sentence:

- 1) The concept of equivalent units relevant for_____
 - Batch Costing
 - Job Costing
 - Process Costing
 - Service Costing
- 2) The classification of fixed and variable cost has a special significance in the preparation of_____
 - Flexible budget
 - Cash budget
 - Capital budget
 - Zero based budget
- 3) While evaluating deviations of actual cost from standard cost, the technique used is
 - Regression analysis
 - Variance analysis
 - linear Progression
 - Trend analysis
 -

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- 4) Cost Audit is useful _____
- To the management
 - To the shareholders
 - To the government
 - To all the above.
- 5) Under integrated system of accounting issue of raw material is debited to _____
- Purchase account
 - Stores ledger control account
 - Work-in-progress control account
 - None of above
- 6) Fixed cost per unit _____ with increase in production.
- Increases
 - Remains constant
 - Decreases
 - Can't say
- 7) In case of passenger transport , carriage capacity is in terms of _____
- Seats
 - Km
 - Tones
 - CC
- 8) Cost Accounting Records Rules are applicable to _____
- Investment Companies
 - Both of the above
 - Private Limited Companies
 - None of the above

B) State whether following statements are **True** or **False**:-

- 1) Invisible waste has no sale value.
- 2) A negative Sales Value Variance is said to be favorable.
- 3) The cost auditor is appointed by the board of Directors subject to the approval of Central Government.
- 4) In the breakeven chart cost is shown on the Y axis.
- 5) Operating costing uses the methods of process costing when costing a particular trip by a bus
- 6) A flexible budget is a budget for semi variable overhead cost only.
- 7) Cost and financial accounts are reconciled under integrated system.
- 8) If the selling price and the variable cost decline by the same amount, the contribution per unit will decrease by same amount

Q.3 AKS transport company maintains a fleet of vans as follows:-

Number of Vans	Carrying Capacity
40	25 passengers each
20	20 passengers each

Each van makes 5 trips a day. Covering a distance of 10 km in each trip on an average 80% of the seats are occupied in each trip and 10 vans are under repair every day. Assuming that the company operates its fleet daily, ascertain the operating cost per passenger km from following :

Particulars	Rs
Wages of 60 Drivers	30,000 each per month
Wages of 60 cleaners	10,000 each per month
Petrol	4,00,000 per month
Oil & Grease	1,00,000 per month
Tyres and Tubes	40,000 per month
Repairs	6,00,000 per Year
Garage Rent	8,00,000 per year
Road Licenses	4,00,000 per year
Taxes	2,00,000 per year
Permit fee	5,00,000 per year
Salary of Manager	1,00,000 per month
office expenses	2,00,000 per year

TURN OVER

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Q.4 Pass Journal Entries for the following transactions under non-integrated system of accounting:

Particulars	Rs
Purchase of Materials	3,20,000
Direct wages	1,60,000
Administration overheads	1,20,000
Selling & Distribution Overheads	80,000
Production overheads	2,40,000
Materials issued to Jobs	1,40,000
Materials issued for Repairs	40,000
Finished Goods produced	4,50,000
Production overheads absorbed	2,10,000
Administration overheads absorbed	1,30,000
Selling & Distribution overheads recovered	70,000
Cost of finished Goods sold	5,00,000
Sales	6,00,000
Sales Returns (at cost)	8,000
Material returned to suppliers	6,000
Material returned from jobs	3,000

Q.5 AB Ltd, CD Ltd and EF Ltd are working in the same industry. The Profit & Loss details are as under: 16

Particulars	AB Ltd (Rs)	CD Ltd (RS)	EF Ltd (Rs)
Sales	13,00,000	13,00,000	13,00,000
Less: Variable Cost	<u>5,20,000</u>	<u>6,50,000</u>	<u>7,80,000</u>
	7,80,000	6,50,000	5,20,000
Less: Fixed Cost	<u>3,90,000</u>	<u>2,60,000</u>	<u>1,30,000</u>
Profit	<u>3,90,000</u>	<u>3,90,000</u>	<u>3,90,000</u>

You are required to :

1. Calculate Contribution / Sales ratio for each company.
2. Calculate BEP for each company.
3. Calculate Profits of each company if sales increase by 20%
4. Calculate Profits of each company if sales decrease by 20%
5. Comment on the profitability of all the companies

Q.6 Garner Ltd. Gives the following particulars relating to process 'A' for the month of Jan, 2017. 16

Particulars	Rs
Work in progress – Opening balance on 1.1.2017 (1000 units)-	
Material	9600
Labour	6400
Overheads	12800
Units introduced in month - 3900	
Processing cost incurred in month :	Rs.
Material	3,72,400
Lab our	1,44,000
Overheads	2,12,800

Output transferred to Process B. 36,400 units.

Units scrapped (Completely processed) : 2800 units

Work in progress (closing balance) : 800

Degree of completion : Material – 100%, Lab our & Overheads -50%

Normal loss in processing is 5% of total input and fetch Rs 2 per unit.

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Prepare the following:

- Statement of Equivalent Production
- Statement of Cost.
- Statement of Apportionment of Cost.
- Process 'A' Account.

Q.7 The following particulars are available from the records of a manufacturing company:

Particulars	Product A (Rs. P.U)	Product B(Rs. P.U)
Sales	1,250	2,500
Material Cost(Rs 25 per kg)	250	625
Lab our Cost (Rs 15 per hour)	375	750
Variable Overheads	125	250

Total fixed Overheads – Rs 5,00,000

Product A & B are manufactures in a same plant from a certain material. Comment on the profitability of each product when:

- Total sales in Value is Limited
- Raw materials is in short supply
- Production capacity is the Limiting factor.
- Total availability of raw materials is 15,000 kg. and maximum sales potential of each product is 800 units, find the product mix to yield maximum profits.

Q.8 From the following information, calculate:

- Sales value variance
- Sales Price Variance
- Sales volume Variance
- Sales mix variance
- Sales Quantity

Product	Standard		Actual	
	Units	Rate P.u (Rs)	Units	Rate P.u (Rs)
A	22500	9.00	30,000	8.250
B	24000	10.50	22500	12.75
C	13500	12.00	22500	15.00

Q.9 Write Notes (Any 4)

- Advantages of Budgetary Control system.
- Cost Audit Report Rules, 2011
- Key factor.
- Material Variances
- Equivalent Production