M.Com [Part – I]
-: Accountancy Group :-
Advance Cost Accounting
(Paper- II) *(DEC- 2017)*

Q.P.Code: 29227

Marks: 100

Note: (1) Question No. 1 and Question No. 2 are compulsory

(2) Attempt Any **Four** from the rest

(3) Figure to the right indicate full marks

(4)Working notes should form part of your answer

(1) Seeta Company Limited produces a product which is completed in three consecutive processes. The company introduced 5,000 units at ₹ 2 per unit. Other information is given as follows: (20)

Particulars	Process I	Process II	Process III
Output (units)	4,700	4,300	4,050
Normal loss as % of input	5	10	5
Scrap value per unit (₹)	1	5	6
Direct Wages (₹)	3,000	5,000	8,000
Direct Expenses (₹)	9,750	9,910	15,560

Total overheads ₹ 32,000, chargeable as percentage of direct wages.
Prepare three Process accounts, Normal loss account, Abnormal loss/gain account

(2) (A) State whether following statement are True or False: (08)

a. In breakeven chart, cost is shown on the Y axis
b. A Cash budget is similar to Fund flow statement
c. Cost auditor has right to visit branch
d. Margin of safety is an indication of profits
e. Invisible waste has no sale value
f. There is no difference between direct and indirect labour
g. Operating costing helps to fix the rates of carriage of goods and passengers
h. In Zero based budget important reference is made to previous level of expenditure

(2)(B) Rewrite the following statements with most appropriate choice: (08)

a. Which of the following method of costing can be used in a large oil refinery? (Process costing, Unit costing, Job costing)
b. Abnormal loss is charged to ______________ (Process account, Costing Profit and Loss account, Normal loss account)
c. In non-integrated system of accounting, the emphasis is on_____________ (Personal account, Nominal account, Real account)
d. Fixed overhead capacity variance arises due to difference between capacity utilized and _______________ capacity (Planned, Excess, Fixed)

Turn Over

e. Idle time variance is due to difference between labour hours applied and labour hours _______________ (Underutilized, Unutilized, Utilized)
f. Sales budget is _______________(Function budget, Master budget, Expenditure budget)
g. Variable cost per unit _____________ with increase in production (increases, Decreases, Remains constant)
h. Composite unit is distinctive feature of _____________ (Operating costing, Job costing, Process costing)

(3) A transport service company Hanuman Limited has a mini bus with a capacity of 32 passengers, runs between two places which are 30 km. apart. The bus makes 10 round trips in a day for 25 days in a month. On an average the occupancy ratio is 70%. The details of other expenses are as under: (16)

Particulars	₹
Insurance per annum	15,600
Garage rent per quarter	2,400
Road tax per annum	5,000
Repairs per quarter	4,800
Salary of operating staff per month	7,200
Tyres and tubes per quarter	3,600
Diesel per litre (one litre is consumed for every 5 km.)	13
Oil and sundries per 100 km. run	22
Depreciation per annum	68,000

Prepare Operating cost statement on annual basis and find out the cost per passenger kilometer

(4) Agni Industries limited manufactures and sales five different products using one common material which is available at ₹ 8 per kg. Skilled labourer required for production is in short supply and is currently limited to 35,000 hours per month at ₹ 15 per hour. Variable production overhead is ₹ 5 per hour. Variable selling and distribution overhead is 10% of sales value while fixed selling, distribution and administration cost is ₹ 80,000 per month. Further details about product and sales are as follows:

Product	Current demand (units)	Selling price per unit (₹)	Raw material required per unit (kg)	Direct labour hour required per unit
A	6,000	40	1	1
B	4,000	60	1.5	1.4
C	5,000	80	2	1.8
D	4,800	90	2.5	2
E	4,500	100	3	2.4

You are required to recommend optimum mix and also calculate profit earned as per recommended optimum mix (16)

(5) The following information has been extracted from Jagannath Limited (16)

Standard price – Raw material A – ₹ 2 per kg.

Raw material B – ₹ 10 per kg.

Standard mix (by weight) A – 75% B 25%

Standard yield – 90%

The actual cost, usage and output were as follows:

Used A – 2,200 kgs. Cost – ₹ 4,650 B – 800 kgs. Cost – ₹ 7,850

Output – 2,850 kgs.

You are required to calculate:

a) Material cost variance
b) Material price variance
c) Material usage variance
d) Material mix variance
e) Material yield variance

(6) From the following data prepare a flexible budget, for production of 40,000 units, 60,000 units and 75,000 units of Product A, showing variable and fixed cost as well as total cost. Also indicate element wise cost per unit. Budgeted output was 1,00,000 units. Budgeted cost per unit are as follows: (16)

Particulars	Cost per unit
Direct material	90
Direct labour	45
Direct variable expenses	10
Manufacturing variable overhead	40
Fixed production overhead	5
Fixed administrative overhead	5
Selling overhead (10% fixed)	10
Distribution overhead (20% fixed)	15

(7) The following information is related to Laxman Limited for the year ending 31st March, 2017: (16)

Sales – 24,000 units @ ₹ 200 per unit; profit volume ratio – 25% and Break-even point – 50% of sales.

You are required to calculate:

a) Fixed cost for the year
b) Profit earned for the year
c) Units to be sold to earn a target net profit of ₹ 11,00,000 for the year
d) Number of units to be sold to earn a net income of 25% on cost
e) Selling price per unit if break-even point is to be brought down by 4,000 units

(8) A company operates on separate cost accounting and financial accounting system. The following opening balances are provided to you: (16)

Stores ledger control account (Dr) – ₹ 53,375
Work in progress control account (Dr) – ₹ 1,04,596
Finished goods control account (Dr) – ₹ 30,780
General ledger adjustment account (Cr) – ₹ 1,88,750

Transactions for the quarter ended 30th June, 2017 are as follows:

Particulars	₹
Material purchased	26,700
Material issued to production	40,000
Material issued for factory repairs	900
Factory wages paid (including indirect wages ₹ 23,000)	77,500
Production overheads incurred	95,200
Production overheads under absorbed and written-off	3,200
Sales	2,56,000

The company's gross profit is 25% on factory cost. At the end of the year, Work-in-progress increased by ₹ 7,500.

Prepare:

a. General ledger adjustment account
b. Stores ledger control account
c. Work-in-progress control accounts
d. Finished goods control account
e. Factory overhead control account
f. Cost of sales account
g. Wages control account
h. Costing Profit and Loss account
i. Sales account

(9) Write Short notes on: (Any 4) (16)

a) Cost audit
b) Equivalent units
c) Absorption costing
d) Zero based budget
e) Integrated system of accounts
