M.COM [PART – I]
-: ACCOUNTS GROUP :-
ADVANCED COST ACCOUNTING
(PAPER- II) *(DEC- 2018)*

71613 / Accountancy : Paper II - Advanced Cost Accounting.

Q.P.Code: 29228

TOTAL MARKS 100

N.B. 1) Q. No. I and II are compulsory. Attempt any four questions from the remaining.
2) Question No. I 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. No. 1 A Company manufactures a chemical product by a series of operations in three processes. **(20)**
Raw material is fed into Process I and the finished chemical that comes out of process III is transferred to the finished goods store. The following particulars relating to operations for April 2017 are given below:

	Process I	Process II	Process III
Raw Materials issued 80,000 kg	Rs. 9,60,000		
Direct Wages	Rs. 1,25,600	Rs. 1,72,000	Rs. 1,42,500
Overhead costs	Rs. 1,68,000	Rs. 1,77,280	Rs. 1,24,690
Normal processing loss (% of input)	3%	2%	1%
Output transferred to next process	74,000 kg	69,400 kg	69,000 kg
Work-in-process (processed material awaiting transfer to next process)	3,000	2,400	-

Prepare the accounts of Process I, II, and III and also abnormal loss and abnormal gain accounts, if any.

Q. No. 2A) Choose the most appropriate from the following **(8)**

1) In Process Costing, costs follow
   a) price rise c) product Flow
   b) price declines d) finished goods
2) Cinema house must adopt
   a) Operating Costing c) Job Costing
   b) Batch Costing d) Contract Costing
3) In non-integrated system of accounting, the emphasis on
   a) Personal accounts c) Real account
   b) Nominal accounts d) All of the above
4) Period cost means
   a) Variable cost c) Fixed cost
   b) Prime cost d) None of the above
5) Standard cost is a specifically
   a) Pre-determine cost c) Estimated cost
   b) Planned cost d) Average cost
6) The Cost Audit Report must be submitted to
   a) Shareholder c) Board of Director
   b) Central Government d) None of the above
7) Equivalent Units are
   a) National Quality of Completed Units c) units equal to output
   b) Units equal to input d) None of the above
8) Contribution Margin is known as
   a) Gross Margin c) Net Profit
   b) Marginal Income d) Earning after Tax

Turn Over

B) State whether the following statement are True or False. **(8)**

1) Abnormal loss is charged to costing profit and loss Account.
2) Log sheet is prepared in case of power house costing.
3) National costs may be included in interlocking accounts.
4) Production cost under marginal costing include Prime cost only.
5) Material cost variance arises due to variation in price and quantity of materials.
6) The Cost Auditor is to be appointed by The Reserve Bank with previous approved of the Central Government.
7) Petrol expenses is a fixed cost for ascertainment of operating cost for a motor car.
8) A Budget need not be realistic.

Q. No. 3 **(16)**

In a manufacturing process the following standards apply:

Standard prices : Raw material A Rs. 10 per kg., B Rs. 50per kg.

Standard mix : 75% A and 25% B (by weight)

Standard output (weight of product as a percentage of weight of raw material) - 90%

In a particular period actual costs, usages and output were as follows:

4400 kg of A costing Rs. 46,500

1600 kg of B costing Rs. 78,500

Output 5670 kg of product.

The budgeted output for the period was 7200 kg.

Compute the material cost variance.

Q. No. 4 You are given the following information relating to the year 2015-16 and 2016-17: **(16)**

	2015-16	2016-17
Opening stock (units)	-	300
Production (units)	1200	1400
Fixed Cost	Rs. 2,00,000	Rs. 2,10,000
Variable Cost	Rs. 1,50,000	Rs. 2,80,000
Sales (units)	900	1100
Selling price (Rs./per unit)	400	500
Closing stock (units)	300	600

Prepare profit and loss account using FIFO under marginal costing and under absorption costing.

Q. No. 5 **(16)**

A Mineral is transported from two mines – 'A' and 'B' and unloaded at plots in a Railway Station. Mine A is at a distance of 10 kms. and B is at a distance of 15 kms. from railhead plots. A fleet of lorries of 5 tone carrying capacity is used for the transport of mineral from the mines. Records reveal that the lorries average a speed of 30 kms. per hour, when running and regularly take 10 minutes to unload at the railhead. At mine 'A' loading time averages 30 minutes per load while at mine 'B' loading time averages 20 minutes per load.

Driver's wages, depreciation, insurance and taxes are found to cost Rs. 9 per hour operates. Fuel, oil, tyres, repairs and maintenance cost Rs. 1.20 per km.

Draw up a statement, showing the cost per tone-kilometer of carrying mineral from each mine.

Q. No. 6 **(16)**

Dutta enterprise an integral system of accounting. You are required to pass the Journal Entries for the following transactions the year ended 31-3-2017. (Narrations are not required):

		Rs.
Raw Materials Purchased	(50% on Credit)	6,00,000
Material 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

Q. No. 7 **(16)**

The following are the estimated sales of a company for eight months ending 30-11-2017.

(Units)

Months	Estimated Sales
April, 2017	12,000
May, 2017	13,000
June, 2017	9,000
July, 2017	8,000
August, 2017	10,000
September, 2017	12,000
October, 2017	14,000
November, 2017	12,000

As a matter of policy, the company maintains the closing balance of finished goods and raw materials as follows:

Stock item	*Closing balance of a month*
Finished goods	50% of the estimated sales for the next month.
Raw materials	Estimated consumption for the next month.

Every unit of production requires 2 kg. of raw material costing Rs. 5 per kg.

Prepare production Budget (in units) and Raw Material Purchase Budget (in units and cost) of the company for the half-year ending 30th September, 2017.

Turn Over

Q. No.8 **(16)**

A company which sells four products, some of them unprofitable proposes discontinuing the sales of one of them. The following information is available regarding its income, cost and activities for a year.

	Product			
	A	**B**	**C**	**D**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Sales	3,00,000	5,00,000	2,50,000	4,50,000
Cost of sales at purchase price	2,00,000	4,50,000	2,10,000	2,25,000
Area of storage (sq. ft.)	50,000	40,000	80,000	30,000
No. of parcels sent	1,00,000	1,50,000	75,000	1,75,000
No. of invoices sent	80,000	1,40,000	60,000	1,20,000

Its overhead cost and basis of allocation are:

Fixed costs	Rs	Basis of allocation
Rent and insurance	30,000	Sq. ft.
Depreciation	10,000	Parcel
Salesman's salaries and expenses	60,000	Sales volume
Administrative wages and salaries	50,000	No. of invoices
Variable coast		
Packing, wages and materials		20 p. per parcel
Commission		4 % of sales
Stationery		10 p. per invoice

You are required to:

(a) Prepare a profit and Loss statement showing percentage profit or loss to sales for each product.

(b) Compare the profit in the company discontinues sales of product B with the profit if it discontinues product C.

Q. No. 9 Write short Notes (any four) **(16)**

1) Utility of Standard Costing.
2) Special feature of Operating Costing.
3) Advantages of cost Audit.
4) Margin of Safety.
5) Fixed Overhead Variance.
6) Master budget
