

**M.Com. DEGREE (C.S.S.) EXAMINATION, JUNE 2015****Fourth Semester**

Faculty of Commerce

Elective—Finance

AC 04 96—ADVANCED COST ACCOUNTING

(2012 Admission onwards—Regular/Supplementary)

[Common for all Electives]

Time : Three Hours

Maximum Weight : 30

**Section A**

*Answer any five questions.  
Each question carries weight 1.*

1. What is volume variance ?
2. Define budget.
3. Define Co-products.
4. What is zero base budgeting ?
5. What is CVP analysis ?
6. What is differential cost analysis ?
7. What is cost centre ?
8. What is the treatment of abnormal loss ?

(5 × 1 = 5)

**Section B**

*Answer any five questions.  
Each question carries weight 2.*

9. Define budgetary control. Discuss the advantages and essentials for the success of budgetary control.
10. Explain how marginal costing helps the management in decision making.
11. What is inter process profit ? What are the objectives and disadvantages of this concept ?
12. Responsibility accounting is an important device for control. Explain.



13. A company maintained separate cost and financial accounts, and the costing profit for 1998 differed to that revealed in financial accounts, which was shown as Rs. 50,000. The following information is available :

		<i>Cost Accounts</i>	<i>Financial Accounts</i>
Opening stock—Raw material	...	5,000	5,500
Closing stock—Raw material	...	4,000	5,300
Opening stock—finished goods	...	12,000	15,000
Closing stock—finished goods	...	14,000	16,000

Dividends of Rs. 1,000 were received by the company. A machine with net book value of Rs. 10,000, was sold during the year for Rs. 8,000.

The company charged 10 % interest on its opening capital employed of Rs. 80,000 to its process costs. Determine profit as per cost accounts.

14. From the following details, prepare statement of equivalent production, statement of cost, statement of evaluation and Process Account by following FIFO method :

Opening work in progress – 2000 units.

Materials – 100 % complete	Rs. 5,000
Labour – 60 % complete	Rs. 3,000
Overhead – 60 % complete	Rs. 1,500
	<hr/>
	Rs. 9,500
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Units introduced into the process – 8,000.

There are 2000 units in progress, and the stage of completion is estimated to be :

Materials – 100 %, Labour 50 % and overhead – 50 %

8000 units are transferred to next process.

The process cost for the period are :

Materials : Rs. 95,000, Labour : Rs. 60,000, Overhead : Rs. 30,000.

15. From the data given below, calculate all material variances :

<i>Raw materials</i>		<i>Standard</i>	<i>Actual</i>
A	...	40 units @ Rs. 50 / unit	50 units @ Rs. 50/unit.
B	...	60 units @ Rs. 40/ unit	60 units @ Rs. 40/ unit



16. A factory produces 3 products A, B and C of equal value from the same manufacturing process. Their joint cost before split off point is Rs. 19,600. Subsequent cost are given as under :

	A	B	C
	(Rs.)	(Rs.)	(Rs.)
Material ...	1,500	1,300	1,000
Labour ...	200	150	100
Overheads ...	800	550	400
	<u>2,500</u>	<u>2,000</u>	<u>1,500</u>
Selling prices ...	30,000	24,000	20,000
Estimated profit } on selling price }	30 %	25 %	20 %

Show how you would propose to apportion the joint cost of manufacture.

(5 × 2 = 10)

### Section C

Answer any **three** questions.  
Each question carries weight 5.

17. What are the advantages and limitations of standard costing ?
18. Enumerate the method which may be employed in allocating joint cost to products ?
19. The product of a company passes through two processes, called process I and II. The percentage of loss is ascertained in Process I – 2 % and Process II – 5 %. The loss of each process possesses a scrap value, the loss of process I is sold at Rs. 10 per 100 units and that of process II at Rs. 20 per 100 units. The following information is available for the year ended 31<sup>st</sup> March, 2012.

40,000 units of crude materials were introduced in process I at a cost of Rs. 16,000.

	Process I	Process II
	(Rs.)	(Rs.)
Material consumed ...	8,000	2,800
Direct labour ...	12,200	14,000
Manufacturing expenses ...	3,080	1,000
	<u>Units</u>	<u>Units</u>
Finished products ...	39,000	38,500
Finished stock :		
April 1, 2011 ...	4,000	6,000
March 31, 2012 ...	3,000	8,000
Stock valuation at January 1, (per unit) :	Re. 0.90	Rs. 1.47

Stock at March 31 are to be valued at the cost as shown by the years process accounts. Prepare necessary accounts.

Turn over



20. Journalise the following transactions assuming cost and financial accounts are integrated.

	Rs.
Raw materials purchased on credit	20,000
Direct materials issued to production	15,000
Wages paid (30 % indirect)	12,000
Wages charged to production	9,500
Manufacturing expenses paid	8,400
Manufacturing expenses charged to production	9,200
Selling and distribution expenses incurred	2,000
Finished product (at cost)	20,000
Sales (on credit)	29,000
Closing stock	Nil
Receipts from debtors	6,900
Payment to creditors	11,000

21. Any change in fixed costs, variable costs or selling price has the effect of shifting the BEP although the impact of each such change on the BEP and the profit is different. Illustrate this with the help of the figure given below assuming a 10 % increase individually in each of the three elements stated above. Also show how the profit figure is affected if all the elements increase collectively, each by 10 %.

	Rs.
Sales (30,000 units)	1,20,000
Variable cost	40,000
Fixed cost	50,000

22. A department of company X attains sales of Rs. 6,00,000 at 80 % of its normal capacity and its expenses are given below :

Administration cost :

Office salaries	Rs. 90,000
General expenses	2 % sales
Depreciation	Rs. 7,500
Rates and taxes	Rs. 8,750

Selling Costs :

Salaries	8 % of sales
Travelling expenses	2 % of sales
Sales office	1 % of sales
General expenses	1 % of sales

Distribution costs :

Wages	Rs. 15,000
Rent	1 % of sales
Other expenses	4 % of sales

Draw up flexible administration, selling and distribution cost budget, operating at 90 %, 100 %, 110 % of normal capacity.