

S.No. 822

08PCM05/08PCZ05

(For the candidates admitted from 2008 – 2009 onwards)

M.Com./M.Com.(CA) DEGREE EXAMINATION,
APRIL/MAY 2018.

Second Semester

ADVANCED COST ACCOUNTING

Time : Three hours

Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) What are the benefits of cost accounting to the management?

Or

- (b) M/S Indu Industries Ltd., are the manufactures of moonlight torches. The following data related to manufacture during the month of March 2009.

Raw materials consumed	Rs. 20,000
Direct wages	Rs. 12,000
Machine hours worked	9,500 hrs
Machine hour rate	Rs. 2

Office overheads	20% of works cost
Selling overheads	50 paise per unit
Units produced	20,000 units
Units sold	18,000 @ Rs. 5 per unit

Prepare cost sheet showing the cost and the profit per unit and the total profit earned.

2. (a) A lorry load of material of mixed goods was purchased for Rs. 1,00,000. Later on these were sorted out into the following categories.

Category A	1,000 units selling price Rs. 20 per unit
Category B	2,000 units selling price Rs. 22.50 per unit
Category C	2,400 units selling price Rs. 25 per unit

Find the purchase rate per unit of each category of the material assuming that all grades yield same rate of profit.

Or

- (b) Calculate the standard labour hour rate for workmen of grade III from the following data.

	Rs.
Basic pay	200 p.m
D.A.	150 p.m
Fringe benefits	100 p.m

No. of working days per year – 300
 Leave rules : 30 days PL with full pay
 20 days S.L with half pay

Usually sick leave is fully avoid of

What would be the labour cost per hour if no sick leave is availed of during the year?

3. (a) Calculate the standard labour hour rate from the following :

Total no. of workers	100
Working days in a year	300
No. of hours per day worked	8
Short and idle time	5%
Factory overheads	Rs. 11,400
Gift to workers	Rs. 1,000

Or

- (b) Calculate machine hour rate from the following :

- Cost of machine Rs. 200
- Estimated scrap value Rs. 1,200
- Average repairs and maintenance charges per month Rs. 150
- Standing charges allocated to machine per month Rs. 50

- (v) Effective working life of machine 10,000 hrs
- (vi) Running time per month 166 hrs
- (vii) Power used by machine : 5 units per hour @ 19 paise per unit.

4. (a) The following information is extracted from the job ledger, in respect of job 707 : materials Rs. 3,400.

Wages :

Dept A : 80 hrs at 2.50 per hour

B : 60 hrs at Rs. 4 per hour

Variable overheads :

Dept A : Rs. 5,000 for 4,000 direct hrs

B : Rs. 6,000 for 3,000 direct hrs

Fixed overheads : Rs. 7,500 for 10,000 hours of normal working time of the factory. Calculate the cost of job No : 707 and estimate the percentage of profit if the price quoted is Rs. 4,750.

Or

- (b) S.V. Construction Ltd., have obtained a contract for the construction of a bridge. The value of the contract is Rs. 12 lacs and the working commenced on 1st October, 2005. The following details are shown in their books for the year ended 30th Sept 2006 :

Plant purchased Rs. 60,000; wages paid Rs. 3,40,000 materials issued to site Rs. 3,36,000; stie expenses Rs. 8,000; general overheads apportioned Rs. 32,000; wages accrued as on 30.9.2006 Rs. 2,800, materials as site on 30.9.2006 Rs. 4,000. Direct expenses accrued as on 30.9.2006 Rs. 1,200 work not net certified at cost Rs. 14,000. Cash received being 80% of work certified Rs. 6,00,000. Life of plant purchased is 5 yrs and scrap value is will.

- (i) Prepare the contract account for the year ended 30th Sept 2006
- (ii) Show the amount of profit which you consider might be fairly taken on the contract and how you have calculated it

5. (a) Discuss the advantages of marginal costing.

Or

- (b) Vasanth Ltd presents the following results for one yr. Calculate the P/V ratio, BEP and margin of safety.

	Rs.
Sales	2,00,000
Variable costs	1,20,000
Fixed cost	50,000
Net profit	30,000

SECTION B — (5 × 10 = 50 marks)

Answer ALL questions.

6. (a) Distinguish between cost accounting and financial accounting.

Or

- (b) The modern manufacturing company submits the following information on 31st March 2007.

	Rs.	Rs.
Sales for the year		2,75,000
Inventories at the beginning of the year		
Finished goods	7,000	

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	Rs.	Rs.
Work in progress	4,000	
Purchase of materials for the year		1,10,000
Materials inventory		
at the beginning of the year	3,000	
at the end of the year	4,000	
Direct labour		65,000
Factory overhead 60% of the direct labour cost		
Inventories at the end of the year		
Work in progress		6,000
Finished goods		8,000

Other expenses for the year

Selling expenses 10% of sales

Administrative expenses 5% of sales.

Prepare a statement of cost and profit.

7. (a) The following transactions occur in the purchase and issue of a material.

Jan 2	Purchased 4,000 units @ Rs. 4.00 per unit
Jan 20	Purchased 500 units @ Rs. 5.00 per unit
Feb 5	Issued 2,000 units
Feb 10	Purchased 6,000 units @ 6.00 per unit

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Feb 12	Issued 4,000 units
March 2	Issued 1,000 units
March 5	Issued 2,000 units
March 15	Purchased 4,500 units @ Rs. 5.50 per unit
March 20	Issued 3,000 units

From the above, prepare the stores ledger account.

- (i) by adopting FIFO method of charging material issued and
- (ii) by adopting the LIFO method.

What would be the value of stock in hand at the end of the period according to each of these two methods?

Or

- (b) Classic tyres company closes its books every half year for the half year ended 30th June, 2008, the following particulars were obtained from the company's books.

	Rs.
Basic wages	45,000
Dearness allowance	4,950
House rent allowance	6,750
Over time allowance	7,200
Night shift allowance	5,300

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	Rs.
Provident fund deposited for the period	10,600
Employees state insurance contribution for the period	2,500
Recovery towards house rent	9,300
Recovery towards supply of provisions	12,100
Expenditure on amenities to employees	6,500

Provident fund is paid for by the employer and the employee in equal shares. The ratio of contribution by employer and employee to ESI is 3 : 2.

Determine the net amount of wages paid in cash to employees over the period of six months and also the total labour cost incidence for the employer per month assuming that all items were evenly spread over six months.

8. (a) A company's production data for the year ending 30.6.2007 is given below.

	Production Department						
Items	P ₁	P ₂	P ₃	Office	Stores	Workshop	Total
Direct wages Rs.	20,000	25,000	30,000	-	-	-	75,000
Direct materials Rs.	30,000	35,000	45,000	-	-	-	1,10,000

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Items	P ₁	P ₂	P ₃	Office	Stores	Workshop	Total
Indirect materials Rs.	2,000	3,000	3,000	1,000	2,000	2,000	13,000
Indirect wages Rs.	3,000	3,000	4,000	10,000	10,000	5,000	35,000
Area in square meters	200	250	300	150	100	250	1,250
Book value of machinery Rs.	30,000	35,000	25,000	—	—	15,000	1,05,000
Total H.P. of machinery	15	20	25	—	—	5	65
Machines hours worked	10,000	20,000	15,000	—	—	5,000	50,000

General expenses : rent Rs. 12,500; insurance Rs. 1,050; depreciation 15% value of machinery power 3,800; light Rs. 1,250 you are required to prepare an overhead analysis sheet for the departments showing clearly the basis of apportionment where necessary.

Or

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(b) A company's trading and profit and loss account was as follows :

	Rs.	Rs.
Purchases	25,210	Sales : 50,000 units Rs. 1.50 each 75,000
Direct wages	10,500	Discount received 260
Work expenses	12,130	Profit on sale of land 2,340
Selling expenses	7,100	Closing stock 4,080
Administration expenses	5,340	
Depreciation	1,100	
Net profit	20,300	
	<u>81,680</u>	<u>81,680</u>

The profit as per cost account was only Rs. 19,770. Reconcile the financial and cost profits using the following information :

- (i) Cost accounts value of closing stock : Rs. 4,280
- (ii) The works expenses in the accounts were taken as 100 percent of direct wages

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(iii) Selling and administration expenses were charged in the cost accounts at 10 percent of sales and Re. 0.10 per unit respectively

(iv) Depreciation in the cost accounts were Rs. 800.

9. (a) Bharat chemicals Ltd manufacture and sell their chemical produced by consecutive processes. The products of these processes are dealt with as under

	Process I	Process II	Process III
Transferred to next process	66 $\frac{2}{3}$ %	60%	
Transferred to warehouse for sale	33 $\frac{1}{3}$ %	40%	100%

In each process 4% of the weight put is cost and 6% is scrap which from process I realised at Rs. 3 per ton from process II Rs. 5 per ton and from process III Rs. 6 per ton. The following particulars relate to January 2007:

	Process 1	Process 2	Process 3
Raw materials used in tons	1,400	160	1,260
Rate per ton	Rs. 10	Rs. 16	Rs. 7
Wages and other expenses	Rs. 5,152	Rs. 3,140	Rs. 2,898

Prepare process accounts showing cost per ton of each product.

Or

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(b) X Ltd., a manufacture of a specialised product is having a process costing system. The stock of work in progress at the end of each month is valued on FIFO basis. At the beginning of a month the stock of work in progress was 400 units (40 percent complete) which was valued as follows :

	Rs.
Materials	3,600
Labour	3,400
Overheads	1,000
	<u>8,000</u>

During the month, actual issue of materials for production purpose was Rs. 68,500 wages and overheads in the month amounted to Rs. 79,800 and 21,280 respectively. Finished production taken into the stock in the month was 2,500 units there was no loss in the process. At the end of the month the stock of work in progress was 500 units (60 percent complete as to labour and overheads and 80 percent complete as to materials).

Prepare a process account showing total and unit costs.

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10. (a) Explain the areas of application of marginal costing.

Or

- (b) From the following information, calculate
- (i) Break even point
 - (ii) No. of units that must be sold to earn a profit of Rs. 60,000 per year
 - (iii) No. of units that must be sold to earn a net income of 10% on sales.

Selling price – Rs. 20 per unit

Variable cost – Rs. 14 per unit

Fixed cost – Rs. 79,200.
