S.No. 605 **12PCM05**

(For the candidates admitted from 2012-2013 onwards)

M.Com. DEGREE EXAMINATION, NOVEMBER 2017.

Second Semester

ADVANCED COST ACCOUNTING

Time : Three hours Maximum : 75 marks

SECTION A — (5 × 5 = 25 marks)

Answer ALL questions.

1. (a) Briefly explain the functions of cost accountant.

Or

(b) Prepare a statement of cost and profit from the following data :

	Rs.
Opening stock of raw materials	10,000
Purchase of raw materials	40,000
Materials returned to suppliers	2,000
Closing stock of raw materials	8,000
Direct wages	20,000

Works on cost 25% on wages : office on cost 20% on works cost; selling on cost 10% on works cost ; profit 10% on cost.

2. (a) The daily demand for a mechanical part is about 25 units. Every time an order is placed, a fixed cost of Rs. 25 is incurred. The daily holding cost per unit is 40 paise. Determine economic order quantity.

Or

(b) Calculate inventory turnover ratio from the following :

Minimum stock level	2,000 units
Maximum stock level	6,000 units
Reorder quantity	4,000 units
Issues	12,000 units

3. (a) From the following particulars, you are required to prepare a statement of labour cost showing the cost per day of 8 hours.

(i)	Monthly salary	Rs. 200
(ii)	Leave salary	5% of salary
(iii)	Employer's contribution to provident fund	8% of (i) and (ii)
(iv)	Employer's contribution to state insurance	$2\frac{1}{2}$ % of (i) and (ii)
(v)	Pro. rata expenditure on amenities to worker	Rs. 17.95 per head per month
(vi)	No. of working hours in a month	200

Or

(b) Ascertain the wages paid to workers A and B under Taylor's differential piece rate system, from the following particulars :

Standard time allowed 40 units per hour

Normal rate per hour Rs. 4

Differentials to be applied :

Below standard : 75% of piece rate

At or above standard : 125% of piece rate

In a day of 8 hours, A produced 280 units and B 400 units.

4. (a) During the year, the factory overheads costs of three departments of a company are as under :

Dept. X Rs. 47,500 ; Dept. Y Rs. 88,900; Dept. Z Rs. 62,750.

The basis of apportionment of overheads is given below :

Dept. X Rs. 5 per machine hour for 10,000 hours.

Dept. Y 75% of direct labour cost of Rs. 1,20,000

Dept. Z Rs. 4 per unit for 15,000 units.

Prepare a statement showing department-wise under or over absorption of overheads.

Or

(b) Work out machine hour rate from the following particulars.

Cost of the machine	Rs. 90,000
Installation charges	Rs. 12,000
Salvaged value	Rs. 2,000
Working life	10 years
Working hours	2,000 per year
Repair charges	50% of depreciation
Power 10 units per hour	10 paise per unit
Lubricating oil (8 hours)	Rs. 40
Consumable stores (8 hours)	Rs. 20
Wages of operators	Rs. 56 per day

5. (a) What is inter-process profit? State its objectives.

Or

(b) The following are the transactions on December 31, 2013, relating to a contract completed during the year :

	Rs.
Materials purchased	1,500
Materials issued from stores	500
Wages	2,440
Direct expenses	300
Works on cost	25% of direct wages
Office on cost	10% on prime cost
Contract price	6,000

Prepare a contract account for the year ended December 31, 2013.

SECTION B — (5 × 10 = 50 marks)

Answer ALL questions.

6. (a) Discuss the advantages of cost accounting.

Or

(b) You are required to prepare the statement showing cost of goods sold and profit earned, from the following particulars.

	1.1.2013	30.6.2013
	Rs.	Rs.
Raw materials	8,000	8,600
Work in-progress	8,000	12,000
Finished goods	14,000	18,000

Direct labour cost Rs. 16,000 (160% of factory overheads)

Cost of goods sold	Rs. 56,000
Administration expenses	Rs. 2,600
Selling expenses	5% on sales
Sales during the period	Rs. 75,000

7. (a) Details of receipts and issues of a materials during March 2013 are as follows.

March 1 Balance 500 units @ Rs. 25

3 Issued 70 units

4 Issued 100 units

8 Issued 80 units

13 Received from vendor 200 units @ Rs. 24.50

14 Return of surplus from work order 15 units @ Rs. 24

16 Issued 180 units

20 Received from vendor 240 units @ Rs. 26

24 Issued 280 units

25 Issued 140 units

27 Return of surplus from work order 12 units @ Rs. 24.50

28 Received from vendor 100 units @ Rs. 25

29 Returned to vendor 50 units

The stores inspector noted a shortage of 5 units on 15th and 8 units on 27th. Write out a stores ledger account using FIFO.

Or

(b) C Ltd. had on opening stock of 300 units of Material A valued at Rs. 600. Received and issues during March 2013 were as follows.

Date	Particulars	Units	Value Rs.
March 2	Received	200	440
4	Issued	150	-
6	Received	200	460
11	Issued	150	-
19	Issued	200	-
22	Received	200	480
31	Issued	250	-

Show the stores ledger account using weighted average method.

8. (a) In a manufacturing concern, the daily wage guaranteed to workers is Rs. 2. The standard output for the month is 1,000 units, representing 100% efficiency. The rate of wages is paid without bonus to those workers, who show upto $66\frac{2}{3}$% efficiency. Beyond this, bonus is payable in a graded scale :

Efficiency	Bonus
90%	10%
100%	20%

Further increase of 1% of bonus for every 1% further rise in efficiency. Calculate the total earnings of workers A, B, C and D who have worked 26 days in a month and their output was 500, 900, 1,000 and 1,200 units respectively.

Or

(b) In a factory, 10 men work as a group. When the weekly production of the group exceeds standard (200 units per hour), each man in a group is paid a bonus for the excess production, in addition to his wages at hourly rate.

The bonus is computed thus the percentage of production in excess of the standard is found and one-half of this percentage is considered as the men's share. Each man in group is paid as a bonus, this percentage of

wage rate of Rs. 3.20 per hour. There is no relationship between the individual workman's hourly rate and the bonus rate. The following is one week's record.

Day	Hours Worked	Production (units)
Monday	90	22,100
Tuesday	88	20,600
Wednesday	90	24,200
Thursday	84	20,100
Friday	88	20,400
Saturday	40	10,200
	480	1,17,600

(i) Compute the rate and the amount of bonus for the week.

(ii) Ascertain the total wages of worker A who worked for 40 hours and was paid Rs. 2 per hour and workers B who worked for 45 hours and was paid Rs. 2.50 per hour.

9. (a) The following particulars relate to a manufacturing company which has three production departments A, B and C and two service departments X and Y :

Particulars	A (Rs.)	B (Rs.)	C (Rs.)	X (Rs.)	Y (Rs.)
Total department overheads as per primary distribution	6,300	7,400	2,800	4,500	2,000

The company decided to charge the service departments costs on the basis of the following percentages :

Department	A	B	C	X	Y
X	40%	30%	20%	-	10%
Y	30%	30%	20%	20%	-

Find the total overheads to production departments, charging service departments costs to production departments on simultaneous equation method.

Or

(b) X Co. Ltd. manufacturers two types of machine components A and B. The following data relate to the year ended December 31, 2013.

	Type A	Type B
Production	125 units	400 units
Sales	120 units	360 units
Materials cost per unit	Rs. 15	Rs. 12
Wages cost per unit	Rs. 40	Rs. 30
Selling price per unit	Rs. 125	Rs. 90

All expenses other than wages and materials are analysed under works overheads which during the year amounted to Rs. 9,000 and office overheads which amounted to Rs. 10,000.

In fixing selling prices, it was estimated that works overhead should be taken as 50% on wages and office overheads at $33\frac{1}{3}\%$ on works cost. You are required to prepare a reconciliation statement.

10. (a) Write notes on :

(i) Cost plus contract

(ii) Escalation clause.

Or

(b) The product of a company passes through two processes A and B. In each process, normally 5% of the total weight is lost and 10% is scrap. From the following information, prepare process accounts showing the cost per ton of each process.

	Process A	Process B
Materials (in tons)	1,000	50
Cost of material per ton	Rs. 125	Rs. 280
Wages	Rs. 28,000	Rs. 10,000
Manufacturing expenses	Rs. 8,000	Rs. 5,475
Sale price of scrap per ton	Rs. 80	Rs. 200
