F 2695 (Pages : 2) Reg. No..............................

Name..............................

M.Com. DEGREE EXAMINATION, OCTOBER 2018

Third Semester

Faculty of Commerce

Stream : Finance

Paper XI—ADVANCED COST ACCOUNTING

(For Private Registration Candidates)

Time : Three Hours Maximum : 75 Marks

Section A

Answer **all** *questions.*
Each question carries 2 *marks.*
Each answer not to exceed **three sentences.**

1. What is value addition ?
2. What is historical cost ?
3. What is integrated accounting ?
4. Explain the term 'budget key factor'.
5. What is primary use value ?
6. What is opportunity cost ?
7. What is p/v graph ?
8. What is value engineering ?
9. What is idle time variance ?
10. What is a standard cost ?

($10 \times 2 = 20$ marks)

Section B

Answer any **five** *questions.*
Each question carries 5 *marks.*
Each answer not to exceed **a page.**

11. Define Marginal Cost. List out the disadvantages of marginal costing.
12. Differentiate cost control and cost reduction.
13. "Budget is a means not an end"—Comment.
14. Discuss the methods to identify fixed cost in semi variable cost.
15. A toy manufacturing company places the following information :

		Sales	*Profit*
2012	..	20,000	1,000
2013	..	18,000	400

Find out : a) fixed cost ; b) p/v ratio ; c) margin of safety at a profit of Rs. 1,600.

16. A company's sales target for the next quarters are as : 1^{st} quarter-108,000 units, 2^{nd} quarter-120,000 units, 3^{rd} quarter-132,000 units, 4^{th} quarter-156,000 units, 1^{st} quarter of following year-138,000 units. Units in stock at the beginning of 1^{st} quarter- 18,000 units. Desired stock at the end of each quarter- 1/6th of next quarter's sales. Prepare a manufacturing budget.

Turn over

17. The budgeted variable overheads for March are Rs. 3,840. Budgeted production for the month of March is 38,400 units. The actual variable overheads incurred were Rs. 3,830 and actual production was 38,640 units. Calculate variable production overhead variance.

18. Prepare the cost statement with the following data : (in Rs. 000's)

Sales – 2,00,000	Other Expenses :
Selling expense – 15,000	Manufacturing – 25,000
Cost of material – 40,000	Miscellaneous – 10,000
Direct wages – 60,000	Rent, rates and taxes – 5,000

Material unused worth 2800 and finished good unsold amount to 12,800.

(5 × 5 = 25 marks)

Section C

Answer any **one** *question. Each question carries* 10 *marks.*

19. State the relative economies of make or buy decisions in management control.

20. A company with a spare capacity proposes to increase the production capacity with no change in its fixed cost of 72,000. Present sales of Rs. 2,60,000 per month is likely to increase to Rs. 3,92,000 per month. The details of cost are :

Production	Material	Wages	Selling & Distribution	Administration
Present capacity -25,000 units	30,000	45,000	25,000	19,000
Proposed capacity -40,000 units	45,000	78,000	62,000	27,000

Advise the management about enhancing the capacity. What will be your suggestion if for the proposal an additional fixed cost of Rs. 7,500 identified. Also find the break-even of the enhanced capacity.

(1 × 10 = 10 marks)

Section D

Answer any **one** *question. Each question carries* 20 *marks.*

21. Discuss the behaviour aspects of budgeting. Also interpret ZBB as an approach towards productivity improvement.

22. Following is the standard cost card of a component :

Materials : 2 units @ Rs. 15

Labour : 3 hours @ Rs. 20

Total Overheads 3 hour's @ Rs. 10

During the period 10,000 units were produced and the same is found to be at 60% capacity of the budget. The following information are gathered : Labour Rs. 650,000 ; Variable overhead Rs. 200,000. Fixed overheads Rs. 300,000 ; Material price variance Rs. 70,000(A) ; Material cost variance Rs. 50,000(A), Labour rate variance Rs. 50,000(F), Fixed overhead expenditure variance Rs. 50,000(A). You are required to calculate :

(a) Actual material cost.

(b) Labour efficiency variance.

(c) Variable OH efficiency variance.

(d) Variable OH expenditure variance.

(e) Fixed OH efficiency variance.

(f) Fixed OH capacity variance.

(g) Fixed OH volume variance.

(1 × 20 = 20 marks)