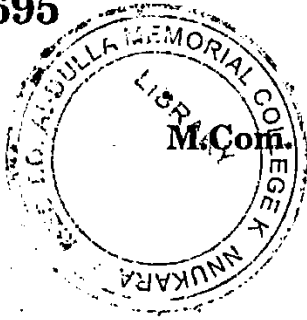


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Reg. No.....

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**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 × 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<sup>st</sup> quarter-108,000 units, 2<sup>nd</sup> quarter-120,000 units, 3<sup>rd</sup> quarter-132,000 units, 4<sup>th</sup> quarter-156,000 units, 1<sup>st</sup> quarter of following year-138,000 units. Units in stock at the beginning of 1<sup>st</sup> 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.             | (e) Fixed OH efficiency variance. |
| (b) Labour efficiency variance.       | (f) Fixed OH capacity variance.   |
| (c) Variable OH efficiency variance.  | (g) Fixed OH volume variance.     |
| (d) Variable OH expenditure variance. |                                   |

(1 × 20 = 20 marks)