G 2142

(Pages : 4)

Reg. No..................................

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

M.Com. DEGREE (CSS) EXAMINATION, JUNE 2016

Fourth Semester

Faculty of Commerce

Elective – Finance

AC 04C 16 – ADVANCED COST ACCOUNTING

(Common for all Electives)

(2012 Admissions – Regular)

Time : Three Hours

Maximum Weight : 30

Part A

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

1. What is basic standard?
2. What is zero based budgeting?
3. What is equivalent production?
4. What is integral accounting?
5. What is process loss?
6. What is abnormal gain?
7. What is angle of incidence?
8. What is overhead variance?

(5 × 1 = 5)

Part B

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

9. State the important features of process costing.
10. From the following, calculate material cost variance, price variance and quantity varianbce and mix variance :

Material	*Standard*	*Actual*
A	40 units @ Rs. 30 per unit	50 units @ Rs. 30 per unit
B	60 units @ Rs. 35 per unit	60 units @ Rs. 40 per unit

Turn over

11. Calculate BEP from the following selling price Rs. 10/- per unit, variable cost per unit Rs. 6.

Sales and profit of two periods are as under :

	Sales	Profit
2013	Rs. 1,50,000	Rs. 20,000
2014	Rs. 1,70,000	Rs. 25,000

12. What is the necessity of reconciliation of cost and financial accounts and how to reconcile both the accounts?

13. You are required to prepare a cash budget from the following information for a period for 3 months from April to June 2014 :

Opening cash balance : Rs. 37,500

Month	*Sales*	*Purchase*	*Wages*	*Overhead*
February	75,000	45,000	9,000	18,000
March	84,000	48,000	9,750	18,750
April	90,000	52,500	10,500	20,250
May	1,20,000	60,000	13,500	23,820
June	1,35,000	60,000	14,250	28,000

(a) Period of credit allowed by supplies – 2 months.

(b) 20% of sales is for cash and the period of credit allowed to customers is one month.

(c) Delay in payment of all expenses – one month.

(d) Income tax of Rs. 57,500 is due to be paid on June 2014.

(e) How to value the WIP in process costing?

14. Explain the various types of budget.

15. A factory is engaged in manufacturing buckets is working at 40% capacity and production is 10,000 buckets per annum. The break-up of cost is given below :

Material – Rs. 10

Labour – Rs. 3

Overhead – Rs. 5 (60% is fixed)

The selling price is Rs. 20.

If it is decided to work the factory at 50% capacity the selling price falls by 3%.

Calculate the profit at 50% capacity.

16. State the difference between fixed and flexible budget.

(5 × 2 = 10)

Part C

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

17. The standard cost of a chemical mixtures is as under :

    8 tons of material A at Rs. 40 per ton.

    12 tons of material B at Rs. 60 per ton.

    Actual cost of a product is as under :

    10 tons of material A at Rs. 30 per ton.

    20 tons of material B at Rs. 68 per ton.

    Actual yield is 26 tons.

    Calculate material cost variance, price variance, usage variance and mix variance.

18. During the year January 2014, 2000 units were introduced into propcess I. The normal loss was estimated at 5% of input. At the end of the month 1400 units had been produced and transferred to the next process ; 460 units were incomplete. It was estimated that incomplete units had reached a stage of production as follows :

    Material 75% completed

    Labour 50% completed

    Ovrheads 50% completed

    The cost of 2,000 units was Rs. 5,800.

    Direct material introduced during the process amounted to Rs. 1,440.

    Direct wages Rs. 3,340.

    Production overhead Rs. 1670.

    Units scrapped realised Rs. 1 each.

    Find out equivalent production, cost per unit and show necessary accounts.

19. The budget (sales and variable cost) results of Travancore Limited are as follows :

Product	*Sales* Rs.	*Variable cost % of sales*
A	50,000	60%
B	80,000	65%
C	40,000	50%
D	60,000	75%
E	30,000	80%

Fixed cost for the period are Rs. 90,000.

(a) Show the amount of expected profit or loss.

(b) Suggest a change in sales volume of each product which will eliminate the expected loss, assuming that sale of only one product can be increased at a time.

Turn over

20. What is budgetory control and also state the prelimaries required for the adoption of an effective system of budgetory control?

21. Pass necessary journal entries to integrate cost and financial accounts :

Raw material purchased on credit	–	Rs. 32,000
Selling and distribution expenses incurred	–	Rs. 2,000
Direct material issued to production	–	Rs. 15,000
Wages paid (30% indirect)	–	Rs. 12,000
Wages charged to production	–	Rs. 9,500
Manufacturing expenses paid	–	Rs. 8,600
Manufacturing overhead charged to production	–	Rs. 9,200
Finished product at cost	–	Rs. 20,000
Sales (on credit)	–	Rs. 29,000
Closing stock	–	Nil
Receipt from debtors	–	Rs. 5,000
Payment to creditors	–	Rs. 9,500

22. Good Luck Limited manufactures market a simple product. The following data are available :

Material – Rs. 16

Conversion Cost (variable) – Rs. 12

Dealers margin – Rs. 4

Selling price – Rs. 40

There is acute competition extra. Efforts are necessary to sell. Suggestions have been made to increase sales :

(a) By reducing sales price by 5%.

(b) By increasing dealers margin by 25% on the existing rate.

Which of these two suggestions would you recommend if the company desires to maintain the present profit?

Give reasons.

(3 × 5 = 15)