

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
BCom DEGREE EXAMINATION DECEMBER 2019
(Third Semester)

Branch - **COMMERCE (COST AND MANAGEMENT ACCOUNTING)**

ADVANCED COST AND MANAGEMENT ACCOUNTING

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** marks (10 x 1 = 10)

- 1 Job costing is the most suitable method for
 - (i) Oil processing units
 - (ii) Transport costing
 - (iii) Sugar industry
 - (iv) Repair shops
- 2 Marginal cost is also known as
 - (i) Prime cost
 - (ii) Works cost
 - (iii) Variable cost
 - (iv) Cost of production
- 3 Operating costing is most useful in
 - (i) Manufacturing Industries
 - (ii) Service Industries
 - (iii) Trading Organization
 - (iv) None of these
- 4 Process costing is suitable to industries where
 - (i) Production is carried on in two or more consecutive stages
 - (ii) Production is as per customer specifications
 - (iii) Specialized services are rendered
 - (iv) Contracts are undertaken
- 5 A flexible budget is
 - (i) Budget for different capacity levels
 - (ii) budget for different departments
 - (iii) Budget for Receipts and payment
 - (iv) None of above
- 6 Zero Based Budgeting (ZBB) refers to
 - (i) Short term and long term budgeting
 - (ii) Performance reporting
 - (iii) Responsibility Accounting
 - (iv) Justification of every item in the budget afresh
- 7 Contribution is
 - (i) Excess of sales over total cost
 - (ii) Excess of cost of sales over sales
 - (iii) Excess of sales over fixed cost
 - (iv) Excess of sales over variable cost
- 8 Usually standards are setup on the basis of
 - (i) Past performance
 - (ii) Normal performance
 - (iii) Ideal performance
 - (iv) Attainable high performance
- 9 Activity based cost systems would probably provide the greatest benefits for organizations that use
 - (i) Job order costing
 - (ii) Historical costing
 - (iii) Process costing
 - (iv) Standard costing
- 10 Just - In - Time (JIT) aimed at
 - (i) Zero Inventories
 - (ii) Over production
 - (iii) Reduced manpower
 - (iv) All of the above

SECTION - B (35 Marks)

Answer **ALL** Questions

ALL Questions Carry **EQUAL** Marks (5 x 7 = 35)

- 11 a "Cost accounting has become an essential tool in the hands of Management" - Discuss.

OR

11 Cont...

b Narrate the essential factors to be considered while designing and installing a costing system.

12 a The following information relating to Contract No. 123

Particulars	Rs.
Contract Price	6,00,000
Wages	1,64,000
General expenses	8,600
Raw materials	1,20,000
Plant	20,000

As on date, cash received was Rs.2,40,000 being 80% of work certified. The value of materials remaining a site was Rs. 10,000. Depreciate plant by 10%. Prepare Contract Account showing profit to be credited to profit and Loss Account.

OR

b From the following data, Calculate units of normal loss in each process and prepare normal loss account.

Particulars	Process - I (Units)	Process - II (Units)	Process - III (Units)
Input Introduced	1000	-	-
Output transferred to next process	900	720	540
Normal loss (%)	10%	20%	30%
Value of scrap per unit	Rs.1	Rs.2	Rs.3

13 a Prepare a production budget for three months ending March 31, 2018 for a factory producing four products, on the basis of the following information:

Type of product	Estimated stock on January 1, 2018 (Units)	Estimated sales during January - March, 2018 (Units)	Desired closing stock on March 31, 2018 (Units)
A	2,000	10,000	5,000
B	3,000	15,000	4,000
C	4,000	13,000	3,000
D	5,000	12,000	2,000

OR

b What are the merits and demerits of flexible budget?

14 a You are required to calculate

- i) P.V.ratio ii) Margin of safety
iii) Sales

Fixed cost	Rs.12,000
Profit	Rs. 1,000
Break Even Sales	Rs.60,000

OR

b From the following data, calculate Labour variances for the two departments

Particulars	Department - A Rs.	Department - B Rs.
Actual direct wages	80,000	72,000
Standard hours produced	10,000	8,000
Standard rate per hour	8	10
Actual hours worked	12,000	7,000

15 a Write a note on Target costing.

OR

b Narrate the differences between Cost control and Cost reduction

SECTION - C (30 Marks)Answer any **THREE** Questions**ALL** Questions Carry **EQUAL** Marks (3 x 10 = 30)

16 Explain the essentials of a good cost accounting system.

17 National chemicals Ltd. Manufactures and sell chemicals produced by three consecutive processes. The output of each process in deal as under:

Particulars	Process - I	Process - II	Process - III
Transfer to warehouse for sale (in %)	33 1/3	40	100
Transfer to next process (in %)	66 2/3	60	"

In each process, 4% of the input is lost and 6% scrap which realized Rs.3, 5 and 6 per tonne from process I, II and III respectively. The following particulars relate to January 2017.

Particulars	Process - I	Process - II	Process - III
I Raw materials used (Tonnes)	1,400	160	1,260
! Rate per tonne (Rs.)	10	16	7
! Wages and other expenses (Rs.)	5,152	3,140	3,708

Prepare process accounts, showing the cost per tonne of each process.

18 Assuming that the cost structure and selling prices remain the same in periods J and II find out:

- P/V ratio
- B.E. Sales
- Profit when sales are Rs. 1,00,000
- Sales required to earn a profit of Rs.20,000
- Margin of safety in II period

Period	Sales (Rs.)	Profit (Rs.)
	1,20,000	9,000
II	1,40,000	13,000

19 Draw up a flexible budget for production at 75% and 100% capacity on the basis of the following data for a 50% activity.

Particulars	Per Unit (Rs.)
Materials	100
Labour	50
Variable expenses (Direct)	10
Administrative expenses (50% fixed)	40,000
Selling and Distribution expenses (60% fixed)	50,000
Present production (50% activity)	1,000 units

20 "Cost Audit is a unique feature in India" - Discuss its evolution, purpose and potential.

Z-Z-Z

END