PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2018
(Third Semester)

Branch – **COMMERCE (COST & MANAGEMENT ACCOUNTING)**

ADVANCED COST & MANAGEMENT ACCOUNTING

Time : Three Hours Maximum : 75 Marks

SECTION-A (20 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (10 x 2 = 20)

1 Write any two examples were job costing is followed.
2 What is absorption costing?
3 What is escalation clause?
4 What is abnormal loss?
5 Write any two importance of budget.
6 What is zero based budgeting?
7 What is break-even point?
8 What is meant by standard costing?
9 What is target costing?
10 What is the need for cost audit?

SECTION - B (25 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 5 = 25)

11 a Explain the characteristics of an ideal cost system.

OR

b. Write short notes on absorption costing.

12 a. From the following data calculate the cost per km. of a vehicle.

Value of vehicle	Rs.15,000
Road license fee per year	Rs.500
Insurance charges per year	Rs.100
Garage rent per year	Rs.600
Driver's wages per month	Rs.200
Cost of petrol per litre	Re.0.80
Km. per litre	Rs.8
Proportionate charges for tyres and maintenance	Re.0.20
Estimate Life	1,50,000 kms
Estimate annual kilo metres	6,000
Ignore interest on capital	

OR

b. M/s.Promosing Company undertook a contract for erecting sewrage treatment plant for Prosperous Municipality for a total value of Rs.24 lakhs. It was estimated that the job would be completed by 31st January 2018. You are asked to prepare the contract account for the year ending 31st January 2018 from the following particulars:

i. Materials - Rs.3,00,000
ii. Wages - Rs.6,00,000
iii. Overhead charges - Rs.1,20,000
iv. Special plant - Rs.2,00,000
v. Work certified was for Rs.16,00,000 and 80% of the same was received in cash.

12 b Cont…

vii. Depreciate plant by 10%

viii. 5% of the value of material issued and 6% of wages may be taken to have been incurred for the work completed, but not yet certified. Overheads are charged as a percentage of direct wages.

ix. Ignore depreciation of plant for use on uncertified portion of work

Ascertain the notional profit.

13 a. Discuss the advantages of budgeting.

OR

b. The expenses for the production of 5,000 units in a factory are

Particulars	Cost per unit
Materials	50
Labour	20
Variable overheads	15
Fixed overheads (Rs.50,000)	10
Administrative overheads (5% Variable)	10
Selling expenses (20% Fixed)	6
Distribution expenses (10% Fixed)	5
Total cost of sales per unit	116

You are required to prepare flexible budget for the production of 7,000 units.

14 a. Vasanth Ltd. Presents the following results for the year 2015. Calculate Profit volume ratio, Break even point and Margin of safety.

Sales – Rs.2,00,000 Variable cost – Rs.1,20,000

Fixed cost – Rs.50,000 Profit – Rs.30,000

OR

b. The standard materials required for production is 10,500 kgs. A price of Rs.2 per kg has been fixed for the materials. The actual quantity of materials used for the product is 11,000 kgs. A sum of Rs.24,750 has been paid for the materials. Calculate Material cost variance, Material Price variance and Material usage variance.

15 a. Write note on transfer pricing.

OR

b. Explain the importance of management audit.

SECTION - C (30 Marks)

Answer any **THREE** Questions

ALL Questions Carry **EQUAL** Marks (3 x 10 = 30)

16 Explain the steps to overcome the difficulties in installation of costing system.

17 A product passes through two distinct process A and B and then to finished stock. The output of ‘A’ passes direct to B and that of ‘B’ passes to finished stock. From the following information, you are required to prepare the process account.

Particulars	Process ‘A’	Process ‘B’
Material consumed (Rs.)	12,000	6,000
Direct labour (Rs.)	14,000	8,000
Manufacturing expenses (Rs.)	4,000	4,000
Input in Process A (units)	10,000	--
Input in Process A (Value Rs.)	10,000	--
Output (units)	9,400	8,300
Normal wastage (% of input)	5%	10%

18 The income and expenditure forecasts for month of March to August 2018 are given as follows

Months	Sales (Credit)	Purchase (Credit)	Wages	Manufacturing Expenses	Office Expenses	Selling Expenses
March	60,000	36,000	9,000	3,500	2,000	4,000
April	62,000	38,000	8,000	3,750	1,500	5,000
May	64,000	33,000	10,000	4,000	2,500	4,500
June	58,000	35,000	8,500	3,750	2,000	3,500
July	56,000	39,000	9,500	5,000	1,000	3,500
August	60,000	34,000	8,000	5,200	1,500	4,500

You are given the following information:

i. Plant costing Rs.16,000 is due for delivery in July payable 10% on delivery and the balance after 3 months.

ii. Advance tax of Rs.8,000 is payable in March and June each.

iii. Creditors allow 2 months credit and debtors are paying one month late.

iv. Opening Balance of Cash Rs.8,000.

v. Lag of one month in expenses.

Prepare a cash budget for the month of May to July.

19 From the following figures of sales and profit for the two periods are available in respect of a concern:

Period	Sales (Rs.)	Profit (RS.)
Period I	1,00,000	15,000
Period II	1,20,000	23,000

You are required to find out:

i. P/V ratio

ii. Fixed Cost

iii. Break – even point

iv. Profit at an estimated sale of Rs.1,35,000

v. Sales required to earn a profit of Rs.20,000.

20 State the principles of lean manufacturing.

Z-Z-Z END