PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)

BCom DEGREE EXAMINATION DECEMBER 2023
(Fourth Semester)

Branch – **COMMERCE (PROFESSIONAL ACCOUNTING)**

COST AND MANAGEMENT ACCOUNTING - II

Time: Three Hours | Maximum: 50 Marks

SECTION-A (5 Marks)
Answer **ALL** questions
ALL questions carry **EQUAL** marks (5 x 1 = 5)

1 Which of the following method of costing can be used in a large oil refinery?
a) Job costing b) Unit costing c) Process costing d) operating costing.

2 In contract costing, contract account is prepared by the
a) Contractee b) Contractor c) Both contractor and contractee d) Owner

3 Standard costing is a:
a) Method of costing b) Technique for cost reduction
c) Cost control Technique d) Idle performance.

4 Contribution margin is also known as
a) Marginal income b) Gross profit c) Net profit d) Fixed costs.

5 A flexible budget is
a) Budget for different capacity level b) Budget for different departments
c) Budget for receipt and payments d) Budget for different companies' statement

SECTION - B (15 Marks)
Answer **ALL** Questions
ALL Questions Carry **EQUAL** Marks (5 x 3 = 15)

6 a) Identify the features of process costing.

(OR)

b) 600 kg. Of a material was charged to process I at the rare of Rs. 4/- kg.
The direct labor amounted for Rs. 200 and the other departmental expenses amounted Rs.760. The normal loss is 10% of input and the net production was 500kg. Assume that process scrap is saleable at Rs. 2 per kg. Prepare process I account and abnormal loss account.

7 a) The following were the expenses on contract which commenced on 1st January 2020.

	Rs.
Materials purchased	10,000
Materials at the end	1,250
Direct wages	15,000
Plant issued	5,000
Direct expenses	8,000

The contract price was Rs. 1, 50,000.It was duly received when the contract was completed on 30th September 2020. charge indirect expenses at 15% on wages and provide Rs.1000 for depreciation on plant. Prepare the contract account and contra tee's account.

(OR)

b) The following particulars relate to a certain contract carried out by Lakshmi builders during the year. The following particulars relate to a certain contract carried out by Lakshmi builders during the year ended 30th June 2019.

	Rs.		Rs.
Work certified	1,43,000	Establishment charges	3,250
Materials issued	64,500	Direct expenses	2,600
Labor cost	54,800	Wages accrued due	1,800
Plant installed	11,300	Material closing balance	1,400
Value of plant(closing)	8,200	Materials retuned to site	400
Un certified work	3,400		
Cash received	1,30,000		
Contract price	2,00,000		

Prepare Contract account and transfer to the profit and loss account the portion of the profit you consider reasonable.

Cont...

8 a) Calculate the Material Cost Variances from the following data:

particulars	Standard	Actual
Quantity	400kgs	460kgs
Price	Rs.2per kg	Rs.1.5 per kg
Value	Rs.800	Rs.690

(OR)

b) Explain the Benefits of standard costing.

9 a) Vikhash Ltd., presents the following results for one year .Calculate the P/V Ratio, BEP and Margin of Safety.

	Rs.
Sales	2, 00,000
Variable costs	1, 20,000
Fixed cost	50,000
Net profit	30,000

(OR)

b) You are given the following data for the year 2021 for a factory. Determine the profit and required sales in 2022.

Out put	40,000 units
Fixed expenses	Rs. 2,00,000
Variable cost per unit	Rs. 10
Selling price per unit	Rs. 20

How many units must be produced and sold in the year 2022, if it is anticipated that selling price would be reduced by 10% variable cost would be Rs. 12 per unit and fixed cost will increase by 10%? The factory would like to make a profit in 2022 equal to that of the profit in 2021.

10 a) Mala Ltd. sells two products A and B which are produced in its special products division. Sales for the year 2022 were planned as follows:

Product	1st quarter	2nd quarter	3rd quarter	4th quarter
A	10,000	12,000	13,000	15,000
B	5,000	4,500	4,000	3,800

The selling prices were Rs.20 per unit and Rs.50 per unit respectively for A and B. Average sales returns 5% of sales and the discount and bad debts amount to 4% of the total sales.

Prepare sales budget for the year 2022.

(OR)

b) You are required to prepare a production budget for the half year ending June 2022 from the following information:

Product	Budgeted Sales Quantity	Actual stock on 31-12-2021	Desired stock on 30-06-2021
	Units	Units	Units
S	20,000	4,000	5,000
T	50,000	6,000	10,000

SECTION -C (30 Marks)

Answer **ALL** questions

ALL questions carry **EQUAL** Marks (5 x 6 = 30)

11 a) From the following data, which product would you recommended to be manufactured in a factory, time being they key factor?

	Per unit of product A Rs.	Per unit of product B Rs.
Direct material	24	14
Direct labor @ Re 1.per hour	2	3
Variable overhead @ 2 per hour	4	6
Selling price	100	110
Standard time to produce	2 hours	3 hours

(OR)

b) The following figures show the cost of two processes of manufacture. The production from process II is passed to finished stock account.

	Process I	Process II
	Rs.	Rs.
Direct materials	2,000	3,020
Direct wages	3,500	4,226
Production overheads	1,500	2,000

1000 units are introduced at a cost of Rs. 5 per unit. Other information is as follows:

	Normal loss	Actual output
Process I	10% of input	920 units
Process II	5 % of input	870 units

The wages realizes Rs. 3 per unit in process I and Rs. 5 per unit in II process. Prepare process accounts.

12 a) Bharthi constructions Ltd., Started operations on 1st April 2018.During the 2018-19 the company was engaged in only one contract. The contract price was Rs. 5, 00,000.

	Dr	Cr
	Rs.	Rs.
Share capital		1,20,000
creditors		10,000
Cash received (80% of work certified)		2,00,000
Land and buildings	43,000	
Bank	25,000	
Charged to contract:		
material	90,000	
plant	25,000	
wages	1,40,000	
expenses	7,000	
	3,30,000	3,30,000

Of the plant and materials issued to the contract, plant costing Rs. 5000 and material costing Rs.4, 000 were lost in a fire accident. On 31 st march 2019, plant costing Rs. 5,000 were returned to stores. Cost work finished but uncertified Rs. 2,000, materials costing Rs 4,000 were at site at the end. Charge 10% depreciation on plant. Prepare contract Account and Balance sheet.

(OR)

b) Distinguish between job costing and contract costing.

13 a) From the following particulars Calculate:
1) Material price variance
2) Material usage variance and
3) Material cost variance.
Materials purchased 3000 kgs at Rs. 6 per kg.
Standard quantity of material fixed for one unit of finished product. 25 kgs at Rs. 4 per kg.
Opening stock of material –Nil
Closing stock of material – 500 kgs.
Actual output during the period – 80 units.

(OR)

b) The following particulars for process II are given:

	Units	Rs.
Transfer to process II at cost	4,000	
Direct wages		2,000
Direct materials		3,000
Factory overheads		4,000
Transfer to finished stock	3,240	
Direct wages		2,000
Direct materials used		3,000

Factory overheads in process is absorbed at a rate of 400% of direct material.
Allowance for normal loss 20% of units worked.
Scrap value is Rs. 5 per unit.
Evaluate the cost of transfer to finished stock. Using the information supplied above, show the amount of loss or gain in the Process to be taken to Costing Profit and loss Account.

14 a). The sales and profit during two years were as follows:

Year	Rs.	Rs.
2019	1,50,000	20,000
2020	1,70,000	25,000

You are required to calculate:
a) Profit volume ratio b) Breakeven point
c) The sales required to earn a profit of Rs. 40,000
d) The profit made when sales are Rs. 2, 50,000
e) The margin of safety at profit of Rs. 50,000 and variable cost of two years.

(OR)

b) The following particulars are obtained from the records of a company manufacturing two products P and R.

	Per unit	
	Product P	Product R
	Rs.	Rs.
Selling price	200	400
Material cost (Rs. 20 per Kg)	40	100
Direct wages(Rs. 6 per hour)	60	120
Variable overhead	20	40

Total fixed overhead is Rs. 10,000.
Comment on profitability of each product when production capacity in hours is the limiting factor.

15 a) Draw up a flexible budget for overhead expenses on the basis of following information data and determine the overhead rates at 70%, 80% and 90% plant capacity.

Particulars	At 70% capacity Rs.	At 80% capacity Rs.	At 90% capacity Rs.
Variables overheads:			
Indirect labour	---	12,000	----
Stores including spares	----	4,000	---
Semi variable overheads:			
Power (30% fixed, 70% variable)	----	20,000	---
Repairs and maintenance (60% fixed, 40% variable)	----	2,000	----
Fixed overheads:			
Depreciation	---	11000	----
Insurance	----	3,000	----
Salary	----	10000	---
Total overheads	---	**62,000**	---
Estimated direct labour hours:	----	1,24,000	----

(OR)

b) From the following data forecast the cash position at the end of April, May and June 2022.

Month 2022	Sales Rs.	Purchases Rs.	Wages Rs.	Sales expenses Rs.
February	1,20,000	80,000	10,000	7,000
March	1,30,000	98,000	12,000	9,000
April	70,000	1,00,000	8,000	5,000
May	1,16,000	1,03,000	10,000	10,000
June	85,000	80,000	8,000	6,000

Further information:

a) Sales at 10% realized in the month of sales, balance equally realized in two subsequent months.
b) Purchases: Creditors are paid in the month following the month of supply.
c) Wages: 20% paid in arrears in the following month.
d) Sundry expenses paid in the month itself.
e) Income tax Rs. 20,000 payable in June.
f) Dividend Rs. 12,000 payable in June.
g) Income from investments Rs. 2,000 received half-yearly in March and September.

Cash balance on hand as on 1-4-2022 Rs. 40,000.

Z-Z-Z END