

Branch – COMMERCE (COST AND 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 Mention any two steps of costing systems.
- 2 Write short notes on 'Absorption costing'.
- 3 What is process costing?
- 4 What is meant by 'Abnormal Gain'?
- 5 What is budgetary control?
- 6 Write short notes on 'Zero Based Budgeting'.
- 7 Mention the formula of Labour cost variance.
- 8 What is margin of safety?
- 9 Define Management audit.
- 10 What is six sigma principles?

SECTION - B (25 Marks)

Answer ALL Questions

ALL Questions Carry EQUAL Marks

(5 x 5 = 25)

- 11 a What are the characteristics of an Ideal cost system?

OR

- b List out the practical difficulties of costing system.

- 12 a The following direct costs were incurred on Job No. 415 of standard radio company :

Materials	Rs. 6010
Wages	Dept. A – 6 hours @ Rs. 30 per hr. Dept. B – 40 hours @ Rs. 20 per hr. Dept. C – 20 hours @ Rs. 50 per hr.

Overhead for these three departments were estimated as follows :

Variable overheads :

Dept.	A – Rs. 15,000 for 1,500 labour hours B – Rs. 4,000 for 200 labour hours C – Rs. 12,000 for 300 labour hours
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Fixed overheads :

Estimated at Rs. 40,000 for 2,000 normal working hours.

You are required to calculate the cost of Job 415 and calculate the price to give profit of 25% on selling price.

OR

- b In processing a basic raw material, three joint products 'X', 'Y' and 'Z' are produced. The joint expenses of manufacturing are : Materials – Rs.10,000; Labour – Rs.8,000; Overheads – Rs.9,000 (Total – Rs.27,000), Subsequent expenses are as follows :

	X (Rs.)	Y (Rs.)	Z (Rs.)
Material	2,000	1,600	1,800
Labour	2,500	1,400	1,700
Overhead	2,500	1,000	1,500
Total	7,000	4,000	5,000
Sales value	42,000	20,000	18,000
Estimated profit on sales	50%	50%	33 $\frac{1}{3}$ %

Show how you would apportion the joint costs of manufacture of Reserve Cost method.

Cont...

- 13 a Discuss the different concepts of budgetary control.

OR

- b The following overhead expenses relate to a cost centre operating at 50% of normal capacity. Draw up flexible budget for the cost centre for operating at 75%, 100% and 125% of normal capacity. Indicate the basis upon which you have estimated each item of expenses for the different operating levels.

	Rs..
Foreman	60
Assistant foreman	40
Inspectors	65
Shop labourers	40
Machinery repairs	100
Defective work	25
Consumable stores	20
Overtime bonus	--
Machine depreciation	110
	460

- 14 a The standard material and standard cost per kg of material required for the production of one unit of product A is as follows :

Material 5 kg

Standard price Rs. 5 per kg

The actual production and related material data are as follows :

400 units of Product A

Material used 2,200 kg.

Actual price of Material Rs. 4.80 per kg.

Calculate : (1) Material cost variance (2) Material usage variance
(3) Material price variance.

OR

- b The following are the budgeted data of a company.

	Rs.
Sales	6,00,000
Variable costs	3,00,000
Fixed costs	1,80,000

Find out the break-even point at (i) the budgeted data (ii) assuming 20% increase in variable cost.

- 15 a Explain the following terms : (i) Kaizen value analysis (ii) Cost audit.

OR

- b Write the process of management audit.

SECTION - C (30 Marks)

Answer any **THREE** Questions

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

- 16 Explain the various methods of costing.

- 17 A building contractor took a contract to build a building on 1st April, 1998. The contract price was agreed at Rs. 8,00,000. The contractor has made the following expenditure during the year :

	Rs.
Materials	50,000
Direct labour	30,000
Plant	80,000
Direct expenses	20,000

From the following extra information prepare a Contract Account for the year. Also show the amount in work in progress, which will be shown in the balance

17 Cont...

	Rs.
Value of plant 31-3-1999	60,000
Stock of Material 31-3-1999	10,000
Materials returned to store	2,000
Work certified	1,50,000
Cash received	1,40,000
Cost of work uncertified	8,000

- 18 The cost of an article at capacity level of 5,000 units is given under A below. For a variation of 20% in capacity above or below this level, the individual expenses vary as indicated under B below :

	A (Rs.)	B
Material cost	25,000	(100% varying)
Labour cost	15,000	(100% varying)
Power	1,250	(80% varying)
Repairs and maintenance	2,000	(75% varying)
Stores	1,000	(100% varying)
Inspection	500	(20% varying)
Depreciation	10,000	(100% fixed)
Administration overheads	5,000	(25% varying)
Selling overheads	3,000	(50% varying)
	62,750	
	12.55	

Find out unit cost of the product under each individual expense at production levels of 4,000 units and 6,000 units.

- 19 The following data are given to you :
 Selling price per tonne – Rs. 5
 Variable cost per tonne – Rs. 3
 Fixed cost per tonne – Rs. 1 (for normal output of 39,000 tonnes) per month.
 Total fixed cost per month – Rs. 39,000
 The production and stock figures are as follows :

	January (Tonnes)	February (Tonnes)	March (Tonnes)
Opening stock	---	9,000	3,000
Closing stock	9,000	3,000	---
Production	45,000	36,000	45,000
Sales	36,000	42,000	48,000

You are required to :
 (a) Prepare a Marginal cost statement.
 (b) Prepare a cost statement under absorption costing.

- 20 Elucidate the following sentence :
 (i) Activity based costing (ii) Target costing (iii) Transfer pricing (iv) Cost control and reduction

Z-Z-Z

END