

M.Com (Part I) Examination, October 2008 Advance Cost Accounting

Con.4976-08.

(3 Hours)

AN-1295
[Total Marks : 100

- N.B.** (1) Question No. 1 is **compulsory**
(2) Attempt any **four** questions from the **rest**.
(3) **Each** question carries **20 marks**.
(4) **All working** should form **part** of your **answer**.

1. The following is the Balance Sheet of a small-sized enterprise as on 31-3-2008:-

Liabilities	Rs.	Assets	Rs.
Capital	1, 28, 500	Cash	7,500
Creditors	14, 000	Stock-in-trade	21,000
		Debtors	30,000
		Furniture	84,000
	1, 42, 500		1, 42, 500

The following are its sales estimates for the first 4 months of the coming year:

	Rs.
April, 2008	40,000
May, 2008	45,000
June, 2008	55,000
July, 2008	60,000

The other relevant data pertaining to the enterprises are as follows:

- (a) 40 per cent sales are on cash basis;
- (b) Credit sales are collected in the month following the month of Sale;
- (c) Cost of Sales (variable/direct) is 60 per cent of sales, the only other costs being Fixed costs of Rs. 4,500 per month, including Rs. 1,500 depreciation.
- (d) Stock is maintained at the level required to meet the next (coming) month's estimated sales.
- (e) Purchases are all on credit and are paid in the month following the month of purchases.

You are required to prepare a cash budget for the first quarter of the coming year.

2. From the following information relating to a hotel, calculate the room rent to be charged to give a profit of 25% on cost excluding interest charged on Loan for the year ending 31st March, 2008:-

- (1) Salaries of office staff Rs. 50,000 per month.
- (2) Wages of the room attendant: Rs. 20 per day per room. When the room is occupied.
- (3) Lighting, Heating and Power:
 - (a) The normal lighting expenses for a room for the full month is Rs. 500, when occupied.
 - (b) Power is used only in winter and the charges are Rs. 200 for a room, when occupied.
- (4) Repairs to Beds and other furniture: Rs. 30,000 per annum.
- (5) Repairs to Hotel Building: Rs. 50,000 per annum.
- (6) License fees: Rs. 12, 400 per annum.
- (7) Sundries: Rs. 10,000 per month.
- (8) Interior decoration and furnishing: Rs. 1, 00, 000.
- (9) Depreciation @ 5% p.a. is to be charged on Building costing Rs. 20,00,000/- and 10% p.a. on Equipments.
- (10) Interest to be charged @ 6% p.a. on Investment in Building and Equipments amounting to Rs. 25, 00 000/-.

- (11) There are 200 rooms in the Hotel, 80% of the rooms are generally occupied in summer, 60% in winter and 30% in Rainy season. The period of summer, winter and rainy season may be considered to be of 4 months in each case. A month may be assumed of 30 days on an average.

3. From the following information prepare Process account as per F.I.F.O assumption:

Opening stock	Degree of consumption
800 units @ Rs. 6 per unit Rs. 4,800	Materials 60%
	Labour 40%
	Overheads 40%

Transfer from previous process: 12,000 units costing Rs. 16,350

Transfer to next process: 9,700 units; Units scrapped 1,300 units

Normal loss 10%; Closing stock: 1,800 units

Degree of completion

For units scrapped:

Material 100%

Labour 50%

Overheads 50%

For closing stock:

Material 60%

Labour 50%

Overheads 50%

Scrap realized Rs. 1.00 per unit

Other information

Rs.

Material 10, 500

Labour 20, 760

Overheads 16, 470

4. From the following information about sales, calculate:

- Sales value variance
- Sales price variance
- Sales volume variance
- Sales mix variance
- Sales quantity variance

Product	Standards		Actual	
	Units	Rate per unit Rs.	Units	Rate per unit Rs.
X	15,000	6	20,000	5.50
Y	16,000	7	15,000	8.50
Z	9,000	8	15,000	10.00

5. Silverline Ltd. markets two brands (A and B) of same product line. Relevant figures about its operations during the year 2007 were:

Particulars	A	B
Units Sold	80,000	60,000
Selling Price Per Unit (Rs.)	170	120
Material Cost [per Unit (Rs.)]	50	40
Direct Labour [per Unit (Rs.)]	30	20
Production Overheads [per Unit (Rs.)]	10	40

Marketing manager proposes two alternatives plans for the year 2008.

- Increase product A market by 40% (no growth for product B)
- Increase product B market by 100% (no growth for product A)

Company can manage either of the plans without any increase in current level of fixed expenses. Further, Selling and Distribution expenses are 5% of sales realization.

Present the detailed calculations of costs and revenues of the alternate plans and advice the management – which one to accept.

6. As on 31st March, 2007, the following balances were extracted from books of the Supreme Manufacturing Company, which follows Non-integration System of Cost Accounting:-

	Dr. (Rs.)	Cr. (Rs.)
Store Ledger Control A/c.	56, 000	
Work-in-Progress Control A/c.	60, 800	
Finishing Goods Control A/c.	40, 000	
General Ledger Control A/c.		<u>1, 56, 800</u>
Total	<u>1, 56, 800</u>	<u>1, 56, 800</u>

The following transactions took place in April 2007:

	Rs.
<u>Raw Materials:</u>	
(i) Purchased	1, 52,000
(ii) Returned to suppliers	4,800
(iii) Issued to Production	1, 56,800
(iv) Returned to stores	4,800
Productive wages	64,000
Indirect Labour	40,000
Factory overheads expenses incurred	80,000
Sealing and Administrative expenses	64,000
Cost of finished goods transferred to Warehouse	3, 40,800
Cost of goods sold	3, 36,000
Sales	4, 80,000

Factory overheads are applied to production at 150% of direct wages, any under/over-absorbed overheads being carried forward for adjustment in the subsequent months. All administrative and selling expenses are treated as period costs and charged off to the Profit and Loss Account of the months in which they are incurred.

Show the following account in the Company's books:

- (a) General Ledger Control A/c.
- (b) Stores Ledger Control A/c.
- (c) Work-in-progress Control A/c.
- (d) Finished Goods Control A/c.
- (e) Factory Overheads Control A/c.
- (f) Costing Profit and Loss A/c.
- (g) Trial Balance as at 30th April, 2007.

7.
 - (a) What is Budget and Budgetary control?
 - (b) What are the advantages of Budgetary Control System and what are the essential of an effective Budgetary Control System?
8. Discuss the provision of Sec. 233 B of the Companies Act, 1956 with regard to-
 - (a) Qualification of Cost Auditor
 - (c) Rights of the Cost Auditor
 - (b) Disqualification of Cost Auditor
 - (d) Duties of Cost Auditor
9. Writes short notes on: (any **four**)
 - (a) Break Even Chart
 - (d) Profit on incomplete contract
 - (b) Cost Plus contract
 - (e) Master Budget
 - (c) Treatment of Losses in process costing
 - (f) Margin of safety