

**PARUL UNIVERSITY**  
**FACULTY OF COMMERCE**  
**M.Com.(Hons) Winter 2017 – 18 Examination**

Semester: 1

Subject Code: 16201102

Subject Name: Advance Cost Accounting

Date: 07/12/2017

Time: 10:30am to 01:00pm

Total Marks: 60

**Instructions:**

1. All questions are compulsory.
2. Figures to the right indicate full marks.
3. Make suitable assumptions wherever necessary.
4. Start new question on new page.

**Q.1(A) Multiple choice type questions. (Each of one mark) (06)**

1. Cost accounting is a specialized branch of accounting which deals with
 

|   |   |
|---|---|
| a) classification, recording, allocation and control of costs | b) classification, recording, planning and control of costs |
| c) classification, processing, allocation and directing       | d) classification, recording, allocation and directing      |
2. An example of a period cost is:
 

|  |  |
|--|--|
| a) Salary of a production supervisor     | b) Raw materials used in production        |
| c) Property taxes on a factory building. | d) Advertising and promotion expenditures. |
3. Which of the following best describes the correct sequence of flow of costs for a manufacturing firm?
 

|  |  |
|--|--|
| a) Raw materials, finished goods, work-in-process, cost of goods sold. | b) Work-in-process, raw materials, finished goods, cost of goods sold. |
| c) Raw materials, work-in-process, finished goods, cost of goods sold. | d) Raw materials, work-in-process, cost of goods sold, finished goods. |
4. Difference between budgeted amounts and actual results is classified as
 

|                       |                     |
|-----------------------|---------------------|
| a) standard deviation | b) variances        |
| c) mean average       | d) weighted average |
5. Activities related to coordinating, controlling and planning flow of inventory are classified as
 

|                          |                             |
|--------------------------|-----------------------------|
| a) decisional management | b) throughput management    |
| c) inventory management  | d) manufacturing management |
6. Decision model to calculate optimal quantity of inventory to be ordered is called
 

|                             |                             |
|-----------------------------|-----------------------------|
| a) efficient order quantity | b) rational order quantity  |
| c) economic order quantity  | d) optimized order quantity |

**Q.1(B) Define the following Terms. (Each of one mark) (06)**

1. Fixed & Variable Cost
2. Normal Loss
3. Cost Accounting
4. By Product
5. Budget
6. Marginal Costing

**Q.2 Answer the Following. (Each of 04 mark) (12)**

1. Estimated Requirement of the year -600 units  
 Cost per unit – Rs 20, Ordering cost per order- Rs. 12, Carrying Cost (% of Average Inventory ) 20%, Calculate the Economic Order Quantity.
2. Standard Time (or Allowed time ) = 50 hrs, Wages rate per hr = Rs. 3, Actual time taken = Rs. 42 hrs, Calculate the Earning as per Halsey Premium Plan.
3. Discuss the Activity Based Analysis.

**Q.3 Answer the following. (Any Three)****(18)**

- Short Note : Break Even Analysis
- A product passes through two processes. The output of process I becomes the input of Process II and the output of Process II is transferred to warehouse. The quantity of raw materials introduced into Process I is 20,000 kgs at Rs.10 per kg. The cost and output data for the month under review are as under:

|                             | Process I | Process II |
|-----------------------------|-----------|------------|
| Direct materials            | Rs.60,000 | Rs.40,000  |
| Direct Labour               | Rs.40,000 | Rs.30,000  |
| Production overheads        | Rs.39,000 | Rs.40,250  |
| Normal Loss                 | 8%        | 5%         |
| Output                      | Rs.18,000 | Rs.17,400  |
| Loss realization of Rs/unit | 2.00      | 3.00       |

The company's policy is to fix the selling price of the end product in such a way as to yield a profit of 20% on selling price.

Required:

- Prepare the Process Accounts
- Determine the selling price per unit of the end product.
- Short Note : Master Budget
- ABC Analysis of Inventory Control Techniques.

**Q.4 Answer the following. (Any two)****(18)**

- Define Cost Audit. Discuss the advantages of Cost Audit in details.
- B.E. Point Rs. 40,000, Fixed Cost Rs. 15000, What is the P/V Ratio?
  - Fixed Cost Rs. 12000, Actual Sales Rs. 48000, Margin of safety Rs 8000, What is P/V Ratio?
  - Total Fixed Cost = 12000, Selling Price Rs 12 P.U. , Variable Cost Rs. 9 per unit,  
Calculate Contribution, P/V Ratio, BEP(Units), BEP(Rs).
- The following details are forecasted by a company for the purpose of effective cash utilization and management.

i. Estimated sales and cost:

| Yr. and month<br>2012 | Sales Rs. | Materials Rs. | Wages Rs. | Overhead Rs. |
|-----------------------|-----------|---------------|-----------|--------------|
| April                 | 4,20,000  | 2,00,000      | 1,60,000  | 45,000       |
| May                   | 4,50,000  | 2,10,000      | 1,60,000  | 40,000       |
| June                  | 5,00,000  | 2,60,000      | 1,65,000  | 38,000       |
| July                  | 4,90,000  | 2,82,000      | 1,65,000  | 37,500       |
| Aug                   | 5,40,000  | 2,80,000      | 1,65,000  | 60,800       |
| Sep                   | 6,10,000  | 3,10,000      | 1,70,000  | 52,000       |

- Credit items: Sales-20% of sales on cash basis, 50% of the credit sales are collected next month and balance in the following month, Credit allowed by supplies is 232 month, Delay in payment of wages is ½ month and of overhead is one month.
- Interest on 12% debentures of Rs.5,00,000 is paid half yearly in June and December.
- Dividend on investments amounting to Rs.25,000 is expected to be received in June 2012.
- A new machinery will be installed in June 2012 at a cost Rs.4,00,000 which is payable in 20 instalments from July 2012 onwards.
- Advance income tax, to be paid in August 2012 is Rs.15,000.
- Cash balance on 1<sup>st</sup> June 2012 is expected to be Rs.45000 and the company wants to keep it at the end of every month around this figure. The excess cash (in multiples of rs.thousand) is being put in a fixed deposit.

Prepare a monthly cash budget for four months starting from June 2012.