

NOVEMBER/DECEMBER 2018

MCM33 — ADVANCED COST ACCOUNTING

Time : Three hours

Maximum : 75 marks

SECTION A — (5 × 6 = 30 marks)

Answer ALL questions.

1. (a) Define cost accounting. State its advantages.

Or

- (b) You are required to prepare the statement of cost from the following.

Materials purchased	-	2,00,000
Wages	-	1,00,000
Direct expenses	-	20,000
Opening stock of materials	-	40,000
Closing stock of materials	-	60,000
Sales	-	6,00,000

Factory overhead is absorbed at 20% on wages, Administration overhead is 25% on the works cost, and Selling and distribution overheads are 20% on cost of production.

9. Explain the various steps to be taken in an effective system of cost control.
10. Why do we feel the necessity of Activity Based Costing in the present set up of factory system? Also indicate the various steps involved in the effective implementation of Activity Based Costing.
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3. (a) It is estimated that a product requires 50 units of material at the rate of Rs. 3 per unit. The actual consumption of material for manufacturing the same product came to 60 units at the rate of Rs. 2.90 per unit. Calculate
- (i) Material cost variance
  - (ii) Material price variance
  - (iii) Material usage variance.

Or

- (b) The standard and actual figures of a firm are as under:

Standard time for the job	:	1000 hrs
Standard rate per hour	:	Re.0.50
Actual time taken	:	900 hours
Actual wages paid	:	Rs.360

Compute labour variances.

4. (a) What is cost control? State its advantages.

Or

- (b) Define Cost reduction. Enumerate the various tools and techniques of cost reduction.

5. (a) What do you understand by Activity Based Costing.? Describe its advantages.

Or

- (b) Explain the various advantages from adoption of activity based costing.

SECTION B — (3 × 15 = 45 marks)

Answer any THREE questions.

6. RR Ltd., is the manufacturers of a particular article. The following data relate to manufacturing of articles during the month of March. Prepare cost sheet

Raw materials consumed	-	Rs.20,000
Direct wages	-	Rs.12,000
Machine hours worked	-	9500 Hours
Machine hour rate	-	Rs.2
Office overheads	-	20% of works cost
Selling overheads	-	0.50 paise per unit
Units produced	-	20000 units
Units sold	-	18000 units
Units sold @ Rs.5 per unit		

7. The product of a manufacturing concern passes through two processes A and B and then to finished stock. It is ascertained that in each process normally 5% of the total weight is lost and

10% is scrap which from processes A and B realizes Rs.80 per tonne and Rs.200 per tone respectively. The following are the figures relating to both the processes.

	Process-A	Process - B
Materials in tones	1000	70
Cost of materials per tonne (Rs.)	125	200
Wages (Rs.)	23,000	10,000
Manufacturing expenses (Rs.)	8,000	5,250
Output in tonne	830	780

Prepare Process cost accounts showing cost per tonne of each process. There was no stock or work in progress in any process.

8. From the data given below, calculate the material price variance, the material usage variance and material mix variance.

Consumption per 100 units of product:

Material	Standard	Actual
A	40 Unit @ Rs. 50 per unit	50 Unit @ Rs. 50 per unit
B	60 Unit @ Rs. 40 per unit	60 units @ Rs. 45 per unit

2. (a) From the following information given to you, prepare Process B account. 2000 units are transferred to Process B @ Rs.4 per unit. Other details relating to the process are:

Materials - Rs.4,000

Labour - Rs.1,000

Overhead - Rs. 700

The normal loss has been estimated @ 10% of the process input. Units representing normal loss can be sold @ Re.1 per unit. Actual production in the process is 1,900 units. Output of Process B transferred to finished stock account.

Or

- (b) The following was the expenditure on a contract for Rs. 6,00,000

Material 1,20,000

Wages 1,64,000

Plant 20,000

Overheads 8,600

Cash received on account of the contract was Rs. 2,40,000 being 80% of the work certified. The value of material in hand was Rs. 10,000. The plant has undergone 20% depreciation. Prepare Contract account.