

**D 71496**

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Name.....

Reg. No.....

**THIRD SEMESTER M.Com. DEGREE EXAMINATION, DECEMBER 2014**

(CUCSS)

**MC3 C14—ADVANCED COST ACCOUNTING**

(2010 Admissions)

Time : Three Hours

Maximum : 36 Weightage

**Section A**

*Answer all questions.  
Each question carries 1 weightage.*

1. What is a cost unit ?
2. What do you mean by life-cycle costing ?
3. What are the benefits of target costing ?
4. What are the forms of competitive advantage ?
5. What is core competencies analysis ?
6. What is process costing ?

(6 x 1 = 6 weightage)

**Section B**

*Answer any six questions.  
Each question carries 3 weightage.*

7. Write a note on theory of constraints.
8. Discuss traditional absorption costing.
9. Write a note on Kaizen costing.
10. What are the characteristics of maturity stage of PLC ?
11. What is the role of cost accountants ?
12. Determine the selling price per unit to earn a return of 12 % net on capital employed (net of tax @ 40 %). The cost of production and sales of 80,000 unit per annum are :

Material Rs. 4,80,000

Labour Rs. 1,60,000

Variable overhead Rs. 3,20,000

Fixed overhead Rs. 5,00,000

The fixed portion of capital employed is Rs. 12 lacs and the varying portion is 50 % of sales turnover.

Turn over

13. ABC Ltd. have prepared the budget for the production of 1,00,000 units of the only commodity manufactured by them for a costing period as under :

	Rs. (lakhs)
Raw material	25.20
Direct Labour	7.50
Direct Expenses	1.00
Works overheads (60 % fixed)	22.50
Administrative overhead (80 % fixed) ...	4.00
Selling overhead (30 % fixed)	2.00

The actual production during the period was only 60,000 units. Calculate the revised budgeted cost per unit.

14. A company operates its plant on single shift basis. It can produce upto 8,000 units of output per month without overtime. The fixed costs on single shift basis of operation amount to Rs. 30,000 per month. The average variable cost per unit is Rs. 10. The output can be increased upto 15,000 units per month by working overtime. This entails no increase in fixed costs, but the variable costs per unit during overtime will be Rs.12 inc excess of 8,000 units upto the capacity of 75,000 units. If a second shift is worked, the maximum capacity of the second shift is 8,000 units per month. The variable cost on second shift operation is Rs. 10.50 per unit and the incremental fixed cost involved in the second shift is Rs. 6,000 per month. If the company's demand for the product is 10,000 units, should the company work overtime or second shift ?

(6 x 3 = 18 weightage)

### Section C

*Answer any **two** questions.  
Each question carries 6 weightage.*

15. "The profits of cost accounts may be different from those projected by financial accounts and in such cases a memorandum reconciliation statement is needed." In the context of this statement, discuss the possible reasons of differences between the two sets of accounts and the need of reconciliation.
16. The following data are available in respect of process for the month of June, 2008 :  
Opening work-in-progress 2,250 units at Rs. 11,250. .

*Degree of completion :*

Materials	... 100 %
Labour	... 60 %
Overheads	... 60 %
Input of materials	... 22,750 units at Its. 88,500
Direct wages	... Rs. 20,500
Production overheads	... Rs. 41,000
Units scrapped	... 3,000 units

*Degree of completion :*

Materials	100 %
Labour	70 %
Production overheads	70 %
Closing work-in-progress	2,500 units

*Degree of completion :*

Materials	100 %
Labour	80 %
Production overheads	80 %

Units transferred to the next process : 19,500 units

Normal process loss is 10 % of total input (opening stock plus units put in).

Scrap value is Rs. 3.00 per unit. The company follows FIFO method of inventory valuation.

You are required to :

- (i) Prepare statement of equivalent production ;
- (ii) Prepare statement of cost per equivalent unit for each element and cost of abnormal loss, closing work-in-progress and units transferred to next process; and
- (iii) Prepare Process I account.

17. The instrumentation Ltd. manufactures two products, X and Y, using the same equipment and similar processes. An extract of the production data for these products in one period is given below :

<i>Particulars</i>	<i>Product X</i>	<i>Product Y</i>
Quantity produced (units)	10,000	14,000
Direct labour-hours per unit ...	2	4
Machine-hours per unit	6	2
Setups in the period	20	80
Orders handled	30	120

The details of overheads costs are : Rs.

Relating to machine activity ...	8,80,000
Relating to production run set-ups ...	80,000
Relating to handling of orders ...	1,80,000

Calculate the production overheads to be absorbed by one unit of each of the products using :

- (i) The Traditional Costing Approach using the direct labour-hour rate to absorb overheads and
- (ii) The activity-based costing approach, using suitable cost drivers to trace overheads to products.

(2 x 6 = 12 weightage)