

Reg. No. :

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M.Com./M.Com. with Computer Application (CBCS)
DEGREE EXAMINATION, APRIL 2019.

Fourth Semester

Commerce – Core

ADVANCED COST ACCOUNTING

(For those who joined in July 2016 and afterwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. Which of the following is the main aim of Cost Accounting?
 - (a) cost control
 - (b) cost ascertainment
 - (c) price taxation
 - (d) all the above



2. _____ suitable to measure individual efficiency.
- (a) time wage system
 - (b) piece wage system
 - (c) differential piece rate system
 - (d) flat time rate system
3. _____ is the aggregate of indirect material cost, indirect wages and indirect expenses.
- (a) prime cost
 - (b) cost of production
 - (c) overhead cost
 - (d) total cost
4. Cost Accounting has been developed because of _____ of financial accounting.
- (a) limitations
 - (b) scientific method
 - (c) modern concept
 - (d) scope
5. In Job costing each _____ is a cost unit to which all costs are assigned.
- (a) batch
 - (b) process
 - (c) job
 - (d) contract

6. When 2000 units are 60% complete in a process, it is equivalent to _____ completed units.
- (a) 1000
 - (b) 600
 - (c) 1200
 - (d) 1500
7. Any loss raised on an in complete contract is transferred to _____.
- (a) costing profit or loss a/c
 - (b) contract a/c
 - (c) profit and loss a/c
 - (d) normal loss
8. The method of costing used in electricity company is termed as _____.
- (a) process costing
 - (b) batch costing
 - (c) job costing
 - (d) operating costing
9. Under integral Accounting system cost and financial accounts are _____ in one ledger.
- (a) separated
 - (b) merged
 - (c) different
 - (d) both (a) and (b)



10. Cost audit helps the _____.
- financial audit
 - performance
 - company audits
 - both (a) and (b)

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

11. (a) Define Cost accounting. What are the essentials of good costing system?

Or

- (b) Distinguish between financial accounting and cost accounting.

12. (a) X company has purchased and issued materials as under :

2016

June 1	Stock of materials	200 units at Rs.2.50 per unit
3	Purchased	300 units at Rs.3 per unit
7	Purchased	500 units at Rs.4 per unit
10	Issued	600 units
12	Purchased	400 units at Rs.4 per unit
18	Issued	500 units
24	Purchased	400 units at Rs.5 per unit
28	Issued	200 units

Prepare the stores ledger under FIFO method.

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- (b) Calculate the earnings of 3 workers A, B and C under 'Merrick's Multiple piece rate system', given the following :

Standard production per day : 150 units

Normal piece rate : Re.0.50 per unit

Production of workers on a particular day :

A 120 units

B 140 units

C 160 units.

13. (a) From the following Information prepare Job No. 236 account in the Job cost ledger :

	Rs.
Direct material purchased	3,600
Direct material received from stores	25,200
Direct wages	14,400
Other direct expenses	1,500

The works overheads are to be taken at 75% of wages and administrative overheads at 25% of work cost. The contract price of Job NO.236 which is completed is fixed as Rs.82,500.

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- (b) Find out equivalent production, cost per unit of equivalent production and prepare process account from the following :

Units put into process 2500

Units completed 2000

Work-in-progress at the end 500 units

Process costs : Rs.

Materials 22,500

Labour 6,750

Overheads 2,250

Work-in-progress is completed 50% as to materials, labour and overheads.

14. (a) The following is the Information relating to Contract No.123.

	Rs.
Contract price	6,00,000
Wages	1,64,000
General expenses	8,600
Raw materials	1,20,000
Plant	20,000

As on date, cash received was Rs.,2.40,000 being 80% of work certified. The value of materials remaining at site was Rs.10,000. Depreciate plant by 10%. Prepare contract account showing profit to be credited to Profit and loss a/c.

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- (b) From the following data calculate the cost per mile of a vehicle :

	Rs.
Value of vehicle	1,00,000
Garage rent per year	1,200
Insurance charges p.a.	400
Road tax p.a.	500
Driver's wages per month	600
Cost of petrol per litre	6.40
Tyre maintenance per mile	0.80

Estimated life 1,50,000 miles, Miles per litre of petrol 8; Estimated annual mileage 6,000.

15. (a) What is cost audit? Explain its advantages.

Or

- (b) Prepare a reconciliation statement from the following details :

	Rs.
Net loss as per cost accounts	3,44,800
Net loss as per financial accounts	4,32,890
Works overhead under recovered in costing	6,240
Depreciation overcharged in costing	2,600
Interest on investments	17,500

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	Rs.
Administrative overhead over recovered in costing	2,600
Goodwill written off	92,000
Shares adjustment in financial books (cr)	950
Depreciation of stock charged in financial books	13,500

PART C — (5 × 8 = 40 marks)

Answer ALL questions, choosing either (a) or (b).

16. (a) Explain the steps to be taken for the installation of a costing system.

Or

- (b) The following Information were obtained from the costing records of a manufacturing concern for the month of March 2004.

	1.3.2004	31.3.2004
	Rs.	Rs.
Raw materials	1,00,000	1,23,500
Finished goods	71,500	42,000
Work in progress	31,000	34,500

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Other expenses :	Rs.
Purchase of Raw material	88,000
Direct wages	70,000
Indirect factory wages	2,500
Work expenses	37,000
Administration expenses	13,000
Sale of scrap	2,000
Selling and distribution expenses	15,000
Sales	2,84,000

Prepare a cost sheet.

17. (a) Two components X and Y are used as follows :
- Minimum usage : 50 units per week each
Maximum usage : 150 units per week each
Normal usage : 100 units per week each
Ordering quantities : X – 600 units
Y – 1000 units
Delivery period : X – 4 to 6 weeks
Y – 2 to 4 weeks
Maximum reorder period for emergency purchases
X : 2 weeks
Y : 2 weeks

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Calculate for each component :

- (i) reordering level
- (ii) maximum level
- (iii) minimum level
- (iv) danger level.

Or

- (b) Strongman Ltd, has three production departments A, B and C and two service departments X and Y.

The following particulars are available for the month of March 1991, concerning the organisation.

	Rs.
Rent	15,000
Municipal taxes	5,000
Electricity	2,400
Indirect wages	6,000
Power	6,000
Depreciation on Machinery	40,000
Canteen expenses	30,000
Other labour related costs	10,000
	<u>1,14,400</u>

The following further details are available

Particulars	Total	A	B	C	X	Y
Floor space (sq.mts)	5,000	1,000	1,250	1,500	1,000	250
Light points	240	40	60	80	40	20
Direct wages	40,000	12,000	8,000	12,000	6,000	2,000
Horse power of machines	150	60	30	50	10	—
Cost of machines	2,00,000	48,000	64,000	80,000	4,000	4,000

The expenses of services department are to be allocated in the following manner.

	A	B	C	X	Y
X	20%	30%	40%	—	10%
Y	40%	20%	30%	10%	—

You are requested to calculate the total overhead of three production departments.

18. (a) The product of a company passes through two processes to completion known as A and B. From past experience it is ascertained that loss id incurred in each process as :

Process A – 2%

Process B – 5%



In each case the percentage of loss is computed on the number of units entering the process concerned.

The loss of each process possesses a scrap value. The loss of processes. A and B is sold at Rs.5 per 100 units.

The output of each process passes immediately to the next process and the finished units are passed into stock.

	Process A	Process B
	Rs.	Rs.
Materials consumed	6,000	4,000
Direct labour	8,000	6,000
Manufacturing expenses	1,000	1,000

20,000 units have been issued to process A at a cost of Rs.10,000. The output of each process has been as under :

Process A – 19,500

Process B – 18,800

Prepare process accounts.

Or

- (b) Compare and contrast process costing and job costing.

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19. (a) Compute cost per running kilometer from the following data of a truck.

Estimated life of vehicle 100000 kms

	Rs.p.
Cost of vehicle	25,000.00
Road licence (Annual)	750.00
Insurance (Annual)	700.00
Garage rent (Annual)	900.00
Supervision and salaries (Annual)	2,700.00
Drivers wages per hour	3.00
Cost of fuel per litre	3.00
Repairs and maintenance per k.m.	1.75
Tyre allocation per k.m.	0.90

Charge interest at 5% per annum on cost of vehicle. The vehicle runs 20 kms per hour on an average and one litre of fuel gives 20 km.

Or

- (b) M/S Arun and Varun undertook a contract for Rs.2,50,000 for constructing a college building. The following is the Information concerning the contract during the year 1997 :

	Rs.
Materials sent to site	85,349
Labour engaged on site	74,375
Plant installed at site at cost	15,000

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	Rs.
Direct expenditure	3,167
Establishment charges	4,126
Materials returned to stores	549
Work certified	1,95,000
Value of plant as on 31 st Dec.1997	11,000
Cost of work not yet certified	4,500
Materials at site 31 st Dec.1997	1883
Wages accrued 31 st Dec.1997	2,400
Direct expenditure accrued 31 st Dec.1997	240
Cash received from contractee	1,80,000

Prepare contract account, contractee's account and show how the work-in-progress will appear in the Balance Sheet as on 31st Dec.1997.

20. (a) What are the reasons which make reconciliation of cost and financial profits essential?

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- (b) Ascertain the profit as per the financial books from the following Information :

	Rs.
Profits as per costs accounts	25,000
Closing stock over valued in cost books	12,500
Preliminary expenses written off	3,000
Profit on sale of building	30,000
Administrative expenses over recovered in cost books	50,375
Works overhead under recovered in cost books	30,375
Bank interest and transfer fee in financial books	5,000
Interest on investment recorded in financial books	10,000
Depreciation shown in excess in cost books	4,000
Provision made for income tax	40,000

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