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HKAM 41

M.Com./M.Com. with Computer Applications (CBCS)  
DEGREE EXAMINATION, APRIL 2017.

Fourth Semester

Commerce/Commerce with Computer Application

ADVANCED COST ACCOUNTING

(For those who joined in July 2012–2015)

Time : Three hours

Maximum : 75 marks

SECTION A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer.

1. The cost that varies disproportionately with volume is called as
  - (a) fixed cost
  - (b) semi-variable cost
  - (c) variable cost
  - (d) overhead cost
2. Cost accounting does not take into account
  - (a) direct costs
  - (b) financial costs
  - (c) operating costs
  - (d) indirect costs

During the year 6000 units were manufactured and 4800 units were sold. The costing records show that works expenses have been worked out at Rs. 3 per article and administrative expenses at Rs. 1.50 per article. The costing books show a profit of Rs. 11,040. Prepare the necessary accounts and show the reconciliation.



3. Abnormal loss in process costing is
  - (a) credited to abnormal loss a/c
  - (b) credited to process a/c
  - (c) debited to process a/c
  - (d) debited to costing profit and loss account
4. Cost methods of treating by-products include
  - (a) sales value method
  - (b) sale value less selling expenses
  - (c) standard price method
  - (d) other income method
5. Gas works adopts
  - (a) process costing
  - (b) operating costing
  - (c) job costing
  - (d) contract costing
6. Tonne kilometre is the cost unit for
  - (a) passenger transport
  - (b) goods transport
  - (c) lodge
  - (d) hospital
7. Escalation clause of contract provides protection against
  - (a) inflation
  - (b) deflation
  - (c) all risks
  - (d) bad debts

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8. Licence and taxes paid by transporters is a \_\_\_\_\_ cost.
  - (a) variable
  - (b) operating
  - (c) semi-variable
  - (d) standing
9. The control accounts not maintained under cost accounting is
  - (a) wages ledger
  - (b) creditors ledger
  - (c) finished goods ledger
  - (d) stores ledger
10. The reasons for difference in profit as per cost records and financial records include
  - (a) share transfer fees
  - (b) over absorption
  - (c) excess depreciation
  - (d) all the above

#### SECTION B — (5 × 5 = 25 marks)

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

11. (a) Explain the nature and uses of cost centers.  
 Or  
 (b) What is meant by costing? Discuss the objectives of cost accounting.

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2. (a) Illustratively explain the normal and abnormal loss and its treatment.

Or

- (b) From the following prepare process B account.

Stock of units on 01 <sup>st</sup> August	16500	
Cost of production of Process A	37500 units	Rs. 56,250
Wages and materials		Rs. 29,250
Works over head		Rs. 6,000
Production in units	48000	
Stock of units on 31 <sup>st</sup> August	5500	

13. (a) Explain the classification of cost of a transport company.

Or

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

	Rs.
Value of vehicle	15000
Road licence for the year	500
Insurance charge per year	100
Garage rent per year	600

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Rs.

Drivers wages per month	200
Cost of petrol per litre	8
Miles per litre	8
Proportional charge for tyre and maintenance per mile	20
Estimated life	150000 miles
Estimated annual mileage	6000 miles

14. (a) Explain the classification and ascertainment of cost in hospital.

Or

- (b) Compute the man shows per year from the following information :

Daily 3 shows are run throughout the year. The total capacity is 1000 seats which are divided into three classes as follows :

Janatha 400 seats

Sanman circle 400 seats

Lords circle 200 seats.

Ascertain cost per man show assuming that:

- (i) 15% of the seats remain vacant, and  
(ii) Weightage to be given to the three classes in the ratio of 1 : 2 : 3.

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15. (a) The net profit of a company appeared at Rs. 64,377 as per the financial records for the year ended 31<sup>st</sup> March 2003. The cost books, however, showed a net profit of Rs. 86,200 for the same period. A scrutiny of the figures from both the sets of accounts revealed the following facts :

	Rs.
Works overheads under recovered in costs	1,560
Administrative overheads recovered excess cost books	850
Depreciation charged in financial accounts	5,600
Depreciation recovered in cost books	6,250
Interest on investments not included in cost	4,000
Loss due to obsolescence charged in financial books	2,850
Income tax provided in financial books	20,150
Bank interest and transfer fee in financial books	375
Stores adjustment credited in financial books	237
Loss due to depreciation in stock charged in financial accounts	3,375
Prepare a statement showing the reconciliation of profit between cost accounts and financial accounts.	

Or

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- (b) From the following figures, prepare a reconciliation statement.

	Rs.
Net profit as per financial records	1,28,755
Net profit as per cost records	1,72,400
Workers overheads under recovered in cost A/c	3,120
Administration overheads recovered in excess	1,700
Depreciation charged in financial records	11,200
Depreciation charged in cost books	12,500
Interest received, not in cost books	8,000
Obsolescence loss charged in financial books	5,700
Income tax provided in financial books	40,300
Bank interest credited in financial books	750
Depreciation of stock charged in financial books	6,750
Store adjustment credited in financial books	475

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**SECTION C — (5 × 8 = 40 marks)**

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

16. (a) Explain the process of installing a good costing system.

Or

- (b) Describe the objectives and limitations of costing.

17. (a) Discuss the treatment of normal and abnormal losses in processes.

Or

- (b) A product passes through two distinct processes, A and B and thereafter to finished stock. From the following information, you are required to prepare process cost accounts.

	Process A	Process B
Materials consumed	Rs. 12,000	Rs. 6,000
Direct labour	Rs. 14,000	Rs. 8,000
Manufacturing expenses	Rs. 4,000	Rs. 4,000
Input in process 'A' (Units)	10,000	
Input in process 'A' (Value)	Rs. 10,000	
Output (Units)	9,400 units	8,300 units
Normal waste	5%	10%
Value of normal waste (per 100 units)	Rs. 8	Rs. 10

18. (a) Examine the classification of costs and selection of units under transport costing.

Or

- (b) A transport service company is running 4 buses between two towns 50 miles apart. Seating capacity of each bus is 40 passengers. The following particulars were obtained from their books :

	Rs.
Wages of drivers, conductors and cleaners	2,400
Salaries of office and supervisory staff	1,000
Diesel oil and other oils	4,000
Repairs and maintenance	800
Taxation insurance etc.	1,600
Depreciation	2,600
Interest and other charges	2,000
<b>Total</b>	<b>14,400</b>

Actual passengers carried were 75% of the seating capacity. All the four buses ran on all the days of the month. Find out the cost per passenger mile.



19. (a) A firm of builders, carrying out large out contracts kept in a contract ledger separate accounts for each contract. The following particulars relate to a certain contract carried out during the year ended 30<sup>th</sup> June.

	Rs.
Work certified by Architects	1,43,000
Cash received from the contractee	1,30,000
Materials send to site	64,500
Labour engaged on site	54,800
Plant installed at site	11,300
Value of plant at 30 <sup>th</sup> June	8,200
Cost of work not yet certified	3,400
Establishment charges	3,250
Direct expenditure	2,400
Wages accrued due	1,800
Material closing balance	1,400
Material returned to store	400
Direct expenses accrued due	200
Contract price	2,00,000

You are required to prepare an account, showing the profit on the contract upto 30<sup>th</sup> June.

Or

- (b) The following cost data pertaining to the year 2002 are collected from the books of XYZ Power Co. Ltd. Prepare a cost sheet showing the cost of generation of power per unit of kWh.

Total units generated 1000000 kWh

	Rs.
Operating labour	1,76,000
Plant supervision	60,000
Lubricants and supplies	56,000
Repairs and maintenance	32,000
Administrative overheads	2,40,000
Capital cost	4,00,000

Coal consumed per kWh for the year is 2.205 lbs and cost of coal delivered to the power station is Rs. 260 per metric tonne. Depreciation rate charged is 5% per annum and interest on capital is to be taken at 10%.



20. (a) For a company, the profit as per cost accounts is Rs. 86,250. The following points are found out on comparison between cost accounts and financial accounts.

	Cost accounts	Financial accounts
(i) Opening stock :	Rs.	Rs.
Materials	10,300	10,500
Work in progress	8,000	8,500
(ii) Closing stock :		
Materials	15,000	14,200
Work in progress	6,000	5,600
(iii) Dividend and interest received Rs. 600		
(iv) Loss on sale of investment Rs. 1,000		
(v) Expenses charged in cost accounts but not considered in financial accounts Rs. 1,500		

- (vi) Goodwill Rs. 2,500 and preliminary expenses Rs. 3,000 have been written off during the year
- (vii) Overheads incurred Rs. 40,600 but overheads recovered amounts to Rs. 38,500

Find out the profits as per financial accounts by preparing a reconciliation statement.

Or

- (b) The following is the profit and loss accounts of a manufacturing company for the year 2004.

	Rs.		Rs.
To Materials	48,000	By Sales	96,000
Wages	36,000	By Closing stock	
Works expenses	24,000	of finished	
Gross profit	12,000	goods	18,000
		Work in progress :	
		Materials	3,000
		Labour	1,800
		Works expenses	1,200
	<u>1,20,000</u>		<u>1,20,000</u>
To Administration expenses	6,000	By Gross profit	12,000
Net profit	6,000		
	<u>12,000</u>		<u>12,000</u>

