Reg. No. | | | | | | | | | |

CRH 453

II Semester M.Com. (HRD) Examination, September/October 2022
COMMERCE (CBCS)
Advanced Cost Accounting

Time : 3 Hours   Max. Marks : 70

SECTION – A

Answer **any four** questions out of seven questions. **Each** question carries **10** marks. **(4×10=40)**

1. Explain the role of JIT in management of inventory.

2. Critically examine the role of break even analysis in decision making.

3. What are the stages involved in decision making in the area of cost accounting ? Explain.

4. “Job costing is more accurate than process costing” evaluate the statement.

5. The following expenses were incurred on job number 664;
   Materials Rs. 9,720
   Wages paid :
   Dept. A 40 hours at Rs. 8 per hour
   Dept. B 50 hours at Rs. 9 per hour
   Dept. C 60 hours at Rs. 5 per hour

   Works overhead expenses of these departments were estimated as follows :
   Dept. A Rs. 9,000 for 6000 working hours
   Dept. B Rs. 10,000 for 5000 working hours
   Dept. C Rs. 12,000 for 3000 working hours

   Office expenses were Rs. 75,000 when total direct wages paid on all three departments came to Rs. 2,50,000. It is the practice to recover office overhead as a percentage of direct wages.
   You are required to calculate the cost of job 664 and the price to be quoted which would include 20% profit on selling price.

6. The standard mix to produce one unit of product is as follows :

   Material A 60 units @ Rs. 15 per unit

   Material B 80 units @ Rs. 20 per unit

   Material C 100 units @ Rs. 25 per unit

   During the month of April 10 units were actually produced and consumption was as follows :

   Material A 640 units @ Rs. 17.5 per unit

   Material B 950 units @ Rs. 18 per unit

   Material C 870 units @ Rs. 27.5 per unit

   Calculate : Material cost variance, material price variance, material usage variance, materials mix variance and material yield variance.

7. A firm manufactures X product whose selling price is Rs. 10 per unit. The firm has the capacity to produce 10000 units. The variable costs are Rs. 2.5 per unit. Fixed costs are estimated at Rs. 30,000 up to capacity utilisation of 50%; Rs. 36,000 above that level but Rs. 42,000 if the level of capacity utilisation is 80% or above.

   a) What is break even point ?

   b) What will be the operating profit of the firm, if the levels of capacity utilisation are 70%, 80% and 90% respectively ?

   c) What is the level of activity at which the firm can make an operating profit of Rs. 18,000 ?

   d) What is the margin of safety if firm manufactures and sells only 6000 units in a year due to market constraint ?

   e) Management of the firm is advised that if the selling price is reduced to Rs. 9 per unit, sales will go up from 7000 units to 7500 units. Is is worthwhile to reduce the selling price ?

SECTION – B

Answer **any two** questions out of three questions. **Each** question carries **15** marks,

(2×15=30)

8. What are the tools and techniques of cost control and cost reduction ? Explain.

9. The following information is given to process number 3 for the month of August 2022 :

   Opening stock – 2000 units made up of :

   Direct materials – I Rs. 12,350 Direct materials – II Rs. 13,200

   Direct labour Rs. 17,500

   Overheads Rs. 11,000

   Transferred from process No 2:20000 units @Rs. 6 per unit

   Transferred to process No. 4 : 17000 units

   Expenditure incurred in process No. 3 :

   Direct materials Rs. 30,000

   Direct labours 60,000

   Overheads Rs. 60,000

   Scrap 1000 units-Direct materials 100%; direct labour 60%; Overhead 40%

   Normal loss 10% of production. Scrapped units realised Rs. 4 per unit. Closing stock : 4000 units.

   Degree of completion :

   Direct materials 80%; direct labour 60%; Overhead 40%.

   Prepare statement of equivalent production, statement of cost per unit and statement of evaluation and process 3 accounts. Use weighted average method.

10. A) A firm produces five different products from single raw materials. Raw material is available in abundance at Rs. 6 per kg. The labour rate is Rs. 8 per hour for all products. The plant capacity is 21000 labour hours for the budgeted period. The production facilities can produce all products. The factory overhead rate is Rs. 8 per hour, comprising Rs. 5.6 per hour as fixed overhead and Rs. 2.40

per hour as variable overhead. The selling commission is 10% of the product price. Given the following information, you are to suggest a suitable sales mix which will maximise the company's profits.

Determine the profits that will be earned at the selected sales mix.

Products	Market demand (units)	Selling Price (Rs.)	Labour hours required per unit	Raw material required per units (in gms)
A	4000	32	1.00	700
B	3600	30	0.80	500
C	4500	48	1.50	1500
D	6000	36	1.10	1300
E	5000	44	1.40	1500

B) Assume that in the above situation, 3500 hours of overtime working is possible. It will result additional fixed overheads of Rs. 20,000, a doubling of labour rates and a 50% increase in variable overheads. Do you recommend the overtime working.