

2019

(5th Semester)

COMMERCE

(Honours)

Paper No. : BCAF-05

(Advanced Cost and Management Accounting)

Full Marks : 70

Pass Marks : 45%

Time : 3 hours

*The figures in the margin indicate full marks
for the questions*

1. (a) "Management accounting is nothing more than the use of financial information for management purpose." Explain this statement and clearly distinguish between financial accounting and management accounting.

14

(2)

Or

- (b) The following figures are extracted from the financial accounts of Selwel Ltd. for the year ending 31.12.2018 :

| | ₹ |
|------------------------------------|------------------------|
| Sales (20000 units) | 50,00,000 |
| Materials | 20,00,000 |
| Wages | 10,00,000 |
| Factory overheads | 9,00,000 |
| Administration overheads | 5,20,000 |
| Selling and distribution overheads | 3,60,000 |
| Finished goods (1230 units) | 3,00,000 |
| Work-in-progress : | |
| Materials | 60,000 |
| Labour | 40,000 |
| Factory overheads | <u>40,000</u> 1,40,000 |
| Interest paid on capital | 40,000 |
| Goodwill written off | 4,00,000 |

In the costing records, factory overheads are charged at 100% of wages, administration overheads at 10% of factory cost, and selling and distribution overheads at the rate of ₹ 20 per unit sold.

Prepare a statement reconciling the profit as per financial records with the profit as per cost records.

14

(3)

2. (a) Describe the various methods of pricing issues of material. Which method would you recommend for adoption in case where prices of raw materials seldom change? 12+2=14

Or

- (b) What is meant by classification of overheads? Discuss briefly the different classifications of overheads. 2+12=14
3. (a) Lindwal Ltd. uses job costing. The following are the cost figures relating to the year 2018 :

| | ₹ |
|------------------------------------|----------|
| Direct materials | 1,20,000 |
| Direct wages | 1,00,000 |
| Factory overheads | 60,000 |
| Administration overheads | 56,000 |
| Selling and distribution overheads | 42,000 |

- (i) Prepare a job cost sheet for the year, showing therein the prime cost, works cost, cost of production, cost of sales and selling price, adding 20% to cost.

- (ii) Work out the overhead recovery rates, assuming that the factory overhead is recovered as a percentage of direct wages and administration, selling and distribution overheads as a percentage of works cost.

(4)

(iii) Ascertain the selling price of a job to be executed in 2019 on the basis of the overhead recovery rates worked out as above in (ii) and also the same percentage of profit on cost as in 2018. The job, it is estimated, shall consume materials worth ₹ 60,000 and wages ₹ 40,000. $5+3+6=14$

Or

(b) The product of a company passes through three distinct processes to completion. They are known as A, B and C. From past experience it is ascertained that loss is incurred in each process as :

Process A—2%

Process B—5%

Process C—10%

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 ₹ 5 per 100 units and that of process C at ₹ 20 per 100 units.

(5)

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

| | Process | | |
|------------------------|---------|-------|-------|
| | A | B | C |
| | ₹ | ₹ | ₹ |
| Materials consumed | 6,000 | 4,000 | 2,000 |
| Direct labour | 8,000 | 6,000 | 3,000 |
| Manufacturing expenses | 1,000 | 1,000 | 1,500 |

20000 units have been issued to process A at a cost of ₹ 10,000. The output of each process has been as under :

Process A—19500

Process B—18800

Process C—16000

There was no work-in-progress in any process.

Prepare Process A/cs. Calculation should be made to the nearest rupee. 14

4. (a) What is absorption costing? What are the advantages and disadvantages of absorption costing? $2+6+6=14$

(6)

Or

(b) From the following data, calculate labour variances : 14
The budgeted labour force for producing product A is :

20 semi-skilled workers @ ₹ 0.75 per hour for 50 hours
10 skilled workers @ ₹ 1.25 per hour for 50 hours

The actual labour force employed for producing A is :

22 semi-skilled workers @ ₹ 0.80 per hour for 50 hours
8 skilled workers @ ₹ 1.20 per hour for 50 hours

5. (a) The following information relates to a flexible budget at 60% capacity. Find out the overhead costs at 50% and 70% capacity and also determine the overhead rates : 14

Variable overheads :
Indirect labour 10,500
Indirect materials 8,400
Semi-variable overheads :
Repairs and maintenance (70% fixed, 30% variable) 7,000
Electricity (50% fixed, 50% variable) 25,200

(Continued)

(7)

Fixed overheads :

Office expenses including salaries 70,000
Insurance 4,000
Depreciation 20,000
Estimated direct labour hours—120000 hours

Or

(b) Explain the concept of responsibility accounting. Discuss the essential features of responsibility accounting. 4+10=14
