**2024**

# M. Com.
## 4th Semester Examination
## ADVANCED COST ACCOUNTING
### PAPER – COM 404 AF

***Full Marks: 50***
***Time: 2 Hours***

***The figures in the right-hand margin indicate full marks.***
***Candidates are required to give their answers in their own words as far as practicable.***

### *UNIT – I*

**1. Answer any two questions: 2 X 5**

a) What are the causes for differences in financial profit and profit as per Cost Accounting? 5

b) How you will treat the different process loss. 5

c) In what way you will apply the concept of break-even analysis in managerial decision. 5

**2. Answer any one question: 1 X 10**

a) The cost volume profit relationship of X ltd. is describe by the equation Y= Rs. 240,000 + 0.7X, in which' X' represents the sales revenues and 'Y' is the total cost at the sales volume 'X'. Find out:

(i) P/V ratio, (ii) BEP Sales, (iii) What will be the sales to earn profit of Rs. 60,000, (iv) If sales increased by Rs. 30,000 then how much profit will increases? (v) Required sales to earn income of Rs. 90,000? 10

b) From the following particulars prepare (i) Statement of equivalent production and (ii) statement of apportionment of cost.

Opening stock 200 units @ Rs. 4. Degree of completion 100% materials and 40% of labour and overhead. New units introduce 1050 units. Transfer to next process 1100 units. Closing stock 150 units. Degree of completion 100% of materials and 70% of labour and overhead.

Process account shows the following cost: materials Rs. 3150, labour Rs. 4500, and overhead Rs. 2250. 10

### *UNIT – II*

**3. Answer any two questions: 2 X 5**

a) What do you mean by Cost Drivers and Cost Pools in activity-based costing? State the advantages of activity-based costing? (2+3)

b) A factory is currently running at 50% capacity and produces 5000 units at a cost of Rs. 90 per unit as per details below:

| | |
|---|---|
| Material | Rs.50 |
| Labour | Rs.15 |
| Factory Overhead | Rs.15 (Rs.6 fixed) |
| Admn. Overhead | Rs.10 (Rs.5 fixed) |

The current selling price is Rs. 100 per unit.

At 60% working, material cost per unit increases by 2% and selling price per unit falls by 2%. At 80% working, material cost per unit increases by 5% and selling price per unit falls by 5%. Estimate profits of the factory at 60% and 80% working and offer your comments. 5

c) State briefly the objectives of budgetary control. 5

**4. Answer any one question: 1 X 10**

a) XYZ Ltd. makes three main products using broadly the same production method and equipment for each. A conventional product costing system is used at present although an ABC system is being considered. Details of the three products for a typical period are:

| Product | Hours per unit | | Material per unit | Volume units |
|---|---|---|---|---|
| | Labour Hours | Machine Hours | Rs. | |
| P | 0.50 | 1.50 | 20 | 750 |
| Q | 1.50 | 1.00 | 12 | 1250 |
| R | 1.00 | 3.00 | 25 | 7000 |

Direct labour costs Rs.6 per hour and production overheads are absorbed on a machine hour basis. The rate for the period is Rs.28 per machine hour.

Further analysis shows that the total of production overheads can be divided as follows:

| **Particulars** | **%** |
|---|---|
| Cost relating to set ups | 35 |
| Cost relating to machinery | 20 |
| Cost relating to materials handling | 15 |
| Cost relating to inspection | 30 |
| Total production overhead | 100 |

The following activity volumes are associated with the production line for the period as a whole. Total activities for the period:

| Product | Number of set-ups | Number of movements of materials | Number of inspection |
|---|---|---|---|
| P | 75 | 12 | 150 |
| Q | 115 | 21 | 180 |
| R | 480 | 87 | 670 |
| | 670 | 120 | 1000 |

Required:

(i) Calculate the cost per unit for each product using conventional methods.

(ii) Calculate the cost per unit for each product using ABC principles.

(iii) Comment on the reasons for any differences in the costs in your answer to (i) and (ii). 10

b) Define performance budgeting? Explain steps of performance budgeting. 10

**(*Internal Assessment: 10 marks*)**