BRAINWARE UNIVERSITY

Course – MCOM

Advanced Cost Accounting (MCM403)

(Semester – 4)

Time allotted: 3 Hours **Full Marks : 70**

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question) 10 x 1 = 10

1. *Choose the correct alternative from the following*

(i) A company makes a single product and incurs fixed costs of Rs. 30,000 per annum. Variable cost per unit is Rs. 5 and each unit sells for Rs. 15. Annual sales demand is 7,000 units. The breakeven point is:

a. 2,000 units b. 3,000 units
c. 4,000 units d. 6,000 units

(ii) Under activity based costing, 'material ordering' is considered as –

a. Unit level activity b. Batch level activity
c. Product level activity d. Facility level activity.

(iii) In 'make or buy' decision, it is profitable to buy from outside only when the supplier's price is below the firm's own ______________.

a. Fixed Cost b. Variable Cost
c. Total Cost d. Prime Cost

(iv) Principle budget factor is

a. High value item of cost b. A factor common to all budget center
c. A factor limiting the activities d. All of the above

(v) Budget which is prepared in a manner so as to give the budgeted cost for any level of activity is
known as:

a. Functional budget b. Master budget
c. Zero base budget d. Flexible budget

(vi) Which factor that cause change in cost of activity:

a. Activity cost b. Driver rates

c. Cost pool d. Cost drivers

(vii) The P/V ratio of a company is 50% and margin of safety is 40%. If present sales is Rs. 30,00,000 then Break Even Point in Rs. will be

a. Rs. 9,00,000 b. Rs. 18,00,000

c. Rs. 5,00,000 d. None of the above

(viii) ‘Contract costing' is used in which of the following –

a. Ship building b. Textile industry

c. Paper manufacturing d. Nursing homes.

(ix) Which of the following is not a method of overheads absorption –

a. Percentage of direct material cost b. Machine hour rate

c. Repeated distribution method d. Labour hour rate.

(x) When the sales increase from Rs. 40,000 to Rs. 60,000 and profit increases by Rs. 5,000, the P/V ratio is

a. 20% b. 30%

c. 25% d. 40%.

Group – B

(Short Answer Type Questions) 3 x 5 = 15

Answer any *three* from the following

2. Distinguish between Job Costing and Process Costing. [5]
3. Write short notes on Angle of Incidence. [5]
4. Explain briefly the concept of ‘flexible budget’. [5]
5. “Operation costing is defined as refinement of Process costing.” Explain it. [5]
6. Differentiate between material yield variance and material mix variance? [5]

Group – C

(Long Answer Type Questions) 3 x 15 = 45

Answer any *three* from the following

7. (a) Product Z has a profit-volume ratio of 28%. Fixed operating costs directly attributable to product Z during the quarter of the financial year 2013-14 will be
Rs. 2, 80,000. Calculate the sales revenue required to achieve a quarterly profit of Rs. 70,000. [5]

(b) Following information are available for the year 2013 and 2014 of PIX Limited: [10]

Year	2013	2014
Sales	Rs. 32, 00,000	Rs. 57, 00,000
Profit/ (Loss)	(Rs. 3,00,000)	Rs. 7, 00,000

Calculate – (a) P/V ratio, (b) Total fixed cost, and (c) Sales required to earn a Profit of Rs. 12,00,000.

8. Arnav Motors Ltd. manufacture pistons used in car engines. As per the study conducted by the Auto Parts Manufacturers Association, there will be a demand of 80 million pistons in the coming year. Arnav Motors Ltd. is expected to have a market share of 1.15% of the total market demand of the pistons in the coming year. It is estimated that it costs Rs. 1.50 as inventory holding cost per piston per month and that the set-up cost per run of piston manufacture is Rs. 3,500.

(i) What would be the optimum run size for piston manufacturing?

(ii) Assuming that the company has a policy of manufacturing 40,000 pistons per run, how much extra costs the company would be incurring as compared to the optimum run suggested in (i) above. [15]

9. Paramount Engineers are engaged in construction and erection of a bridge under a long-term contract. The cost incurred upto 31.03.2014 was as under:

	Amount (Rs. in lakhs)
Fabrication Costs:	
Direct Materials	280
Direct Labour	100
Overheads	60
	440
Erection Cost to date	110
	550

The contract price is Rs. 11 crores and the cash received on account till 31.03.2014 was Rs. 6 crores. The technical estimate of the contract indicates the following degree of completion of work. Fabrication – Direct Material – 70%, Director Labour and Overheads 60% Erection – 40%.

You are required to estimate the profit that could be taken to Costing Profit and Loss Account against this partly completed contract as at 31.03.2014. [15]

10. (a) Explain briefly, what do you understand by Operating Costing. How are composite units computed? [7]

(b) What do you understand by Operating Costs? Describe its essential features and state where it can be usefully implemented? [3+5]

11. (a) Calculate total passenger kilometers from the following information:
Number of buses 6, number of days operating in a month 25, trips made by each bus per day 8, distance covered 20 Kilometers (one side), capacity of bus 40 passengers, normally 80% of capacity utilization. [6]
(b) Distinguish between Joint products and By-products. [3]
(c) Discuss the treatment of by-product cost in Cost Accounting. [6]