LOYOLA COLLEGE (AUTONOMOUS), CHENNAI – 600 034

B.Com. DEGREE EXAMINATION – **COMMERCE**

SIXTH SEMESTER – APRIL 2010

CO 653 - ADVANCED COST & MANAGEMENT ACCOUNTS

Date & Time: 24/04/2010 / 1:00 - 4:00 Dept. No. Max. : 100 Marks

SECTION: A

Answer All Questions: **10 x 2 = 20**

1) Write short note on equivalent production units.
2) What is escalation clause?
3) What is job costing?
4) What is retention money?
5) Distinguish between waste and scrap
6) What is a budget?
7) Calculate Material Price Variance from the following:
   Standard: 2740 units' @Rs.15 each. Actual: 3000 units @ Rs.17 each.
8) What is Standard Costing?
9) A project costs Rs.5, 00,000 and yields annually a profit of Rs.80,000 after depreciation at 12% but before tax at 50%. Calculate payback period.
10) What is capital expenditue?

SECTION – B

Answer any five only. **5 x 8 = 40**

11) What is process costing? And what are its distinctive features?
12) Describe various reasons which cause difference between that profits disclosed by cost and financial accounts.

13) In manufacturing a product 1000kg of raw materials at Rs.8 per kg were supplied to process X. Other expenses of the process were as follows:
    Labour cost Rs, 2,000, Production expenses Rs.1000.
    Normal loss in the process has been estimated at 10% of the input and it could be sold at Rs.2 per kg. The actual output in this process was 880kgs which was transferred to process Y.
    Prepare process X account and abnormal loss account.

14) The following are the expenses of B Ltd., in respect of a contract which commenced on 1st January 2007.
    Material purchased Rs.50,000
    Material on hand Rs.2500
    Direct wages Rs.75000
    Plant Issued Rs.25,000
    Direct Expenses Rs.40,000
    The contract process was Rs.750000 and the same was duly received when the contract was completed in August 2007. Charge indirect expenses at 15% on wages provide Rs.5000 for depreciation on plant and prepare the contract account.

15) What are the different classifications of Budgets?

16) Marginal costing is a valuable aid for Managerial Decision Making – Discuss.

17) An automobile manufacturing company finds that the cost of making part No:7000 in its own workshop is Rs.6. The same part is available in the marker at Rs.5.60 with an assurance of continuous supply. The cost data to make the part are:

Material	Rs.2.00
Direct Labour	Rs.2.50
Other Variable cost	Rs.0.50
Fixed cost	Re.1.00

Should the part be made or bought?
Will your answer be different if the market price is Rs.4.60? Show your calculations and comment.

18) A manufacturing company submits the following figures of Product X for the first quarter of 2008:
Sales (in units): January 50,000, February 40,000 and March 60,000.
Selling price per unit Rs.100
Target of First Quarter 2008: Sales units increase by 20%, selling price increase by 10%
Prepare the Sales Budget.

SECTION – C

Answer any Two only. **2 x 20 = 40**

19) U construction Ltd. undertook a contract in 1992 for road construction. The contract price was Rs.10, 00,000 and its estimated cost of completion would be Rs.9, 20,000. At the end of 1992 the company received Rs.3, 60,000 representing 90% of work certified. Work not yet certified was Rs.10, 000. Expenditure incurred on the contract during 1992 was as follows: Materials Rs.50, 000, Labour Rs.3, 00,000, Plant Rs.20, 000, Materials costing Rs.5, 000 were damaged and had to be disposed for Rs.1000. Plant to be depreciated by 25% Prepare contract account for 1992 in the books of U construction Ltd. also show the profit can be reasonable credited to profit and loss account in respect of the contract.

20) Limited company is considering investment in a project requiring a capital outlay of Rs.2, 00,000. Forecast for annual income after depreciation but before tax is as follows:

Year:	1	2	3	4	5
Annual Income:	100000	100000	80000	80000	40000

Depreciation may be taken as 20% on original cost and taxation at 50% of net income. You are required to evaluate the project according to each of the following methods. **1) Pay Back Method 2) Rate of Return on average investment method. 3) Discounted cash flow method taking cost of capital as 10%.**

21) Draw up flexible budget for production at 75% and 100 % capacity on the basis of the following data for a 50% activity:

	Per Unit Rs.
Material	100
Labour	50
Variable expenses (direct)	10
Administrative expenses (50% fixed)	40,000
Selling expenses (60% fixed)	50,000

Present production – 50% capacity = 1000 units.

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