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PG/IVS/COM/404 AF.1 &
404AF.2/25 (New)

M.Com. 4th Semester Examination, 2025

COMMERCE

(Advanced Cost Accounting)

PAPER — COM-404AF

Full Marks : 50

Time : 2 hours

Answer **all** questions

The figures in the right hand margin indicate marks

*Candidates are required to give their answers in
their own words as far as practicable*

COM-404AF.1

[Marks : 20]

1. Answer any *two* of the following questions :

5 × 2

(Turn Over)

- (a) From the following information prepare Store Ledger Control Account and Wages Control Account under Non-Integrated system.

Material Control Account opening balance	Rs. 1,24,000
Material purchased	Rs. 4,80,000
Direct Material issued to production	Rs. 4,77,000
Material purchased directly by production centre	Rs. 30,000
Material for work maintenance	Rs. 41,200
Material lost by fire	Rs. 20,000
Total Wages paid	Rs. 2,70,000

(Direct Rs. 2,00,000, Indirect Rs. 60,000, Normal idle time Rs. 10,000) 3 + 2.

- (b) Given below is the Trading and Profit and Loss Account of a company for the year ended 31-3-2025 :

<i>Particulars</i>	<i>Amount (Rs.)</i>	<i>Particulars</i>	<i>Amount (Rs.)</i>
To Materials	27,50,000	By Sales (62,000 units)	62,00,000
To Wages	15,50,000	By Closing Finished	
To Factory expenses	8,50,000	Stock (3000 units)	2,70,000
To Administrative		By Closing W-I-P(Rs.)	
expenses	3,80,000	Material 65,000	
To Selling expenses	4,50,000	Wages 38,000	
To Preliminary expenses		Factory	
Written off	50,000	Expenses <u>22,000</u>	1,25,000
To Net Profit c/d	5,80,000	By Dividend received	15,000
	66,10,000		66,10,000

The Company manufactures standard units.
In the Cost Accounts :

- (i) Factory expenses have been allocated to production at 20% of Prime Cost;
- (ii) Administrative expenses at Rs. 6 per unit produced, and
- (iii) Selling expenses at Rs. 7 per unit sold.

Prepare the Costing Profit and Loss Account of the company and reconcile the same with the Profit disclosed by the Financial Account.

(c) Define Joint Product, By-Product and Co-Products. Briefly explain the Working Back method of Joint cost allocation. 3 + 2

2. Answer any *one* of the following questions :

10 × 1

(a) Product X passes through two processes before it is transferred to finished stock. The following information is obtained for the month of May, 2025 :

	Process-I	Process-II	Finished Stock
	(Rs.)	(Rs.)	(Rs.)
Opening Stock	8,000	10,000	20,000
Direct Material	1,50,000	25,000	—
Direct Wages	60,000	35,000	—
Manufacturing overhead	30,000	20,000	—
Closing Stock	4,000	15,000	30,000

	Process-I	Process-II	Finished Stock
	(Rs.)	(Rs.)	(Rs.)
Profit% on Transfer	20%	10%	—
Price to next process			
Inter-process profit for opening stock	1400	2700	6000

Stock in processes is valued at prime cost and finished stock has been valued at the price at which it is received from process II. Sales during the period is Rs. 4,00,000.

Prepare Process Cost Accounts showing profit element at each stage and calculate total realised profit. $3 + 3 + 2 + 2$

(b) Motor Components Ltd. has secured an order for 3000 components per week from a car manufacturer, but there is a shortage of available skilled labour capacity which is restraining the company from producing the entire quantity within the company.

Production, cost and sales information of Motor Components Ltd. are as under :

Sales Price of complete component = Rs. 1500

Skilled Labour capacity per week = 7500 hours

Production labour rate per hour = Rs. 120

Variable production overhead = 50% of labour cost

Fixed Overhead cost = Rs. 5,00,000 per week

Testing cost for complete component = Rs. 20

Each component is finally assembled from three sections, made up of one or more parts as under :

Particulars	Section		
	I	II	III
Parts Per section	5	4	1
Material cost per part	Rs.60	Rs.40	Rs.20
Production labour minutes per part	18 mins	15 mins	30mins
Sub-contract price per component of Rs. 1400 made up as under	Rs. 700	Rs. 500	Rs. 200

(7)

The following two production strategies are available :

- (i) To produce as many complete components as possible within the existing weekly skilled labour capacity and sub-contract the remaining complete components, and
- (ii) Produce as many of the three sections of the components as possible and sub-contract the remaining sections.

You are to advise which of the above two production strategies would be more profitable for the company.

4 + 4 + 2

COM-404AF.2

[Marks : 20]

3. Answer any *two* questions from the following :

5 × 2

(a) The Sales manager of a concern expects

that he could sell 30,000 units of Product T and 25,000 units of Product R in the next year. Two types of raw materials A and B are required for production as follows :

	Requirement of	
	Material-A	Material-B
One unit of Product T	2 units	3 units
One unit of Product R	4 units	1 unit

Expected holding of stock in the next year :

	Opening (units)	Closing (units)
Product T	10,000	12,000
Product R	8,000	6,000
Material A	25,000	30,000
Material B	13,000	15,000

Prepare Production Budget and Material Purchase Budget for the next year.

- (b) What do you mean by Decision Units and Decision Packages ? How are they related to Zero Base Budgeting ? 3 + 2
- (c) Following information is given regarding standard composition and standard rates of a gang of workers :

Standard Composition	Standard hourly rate
12 Skilled workers	Rs. 50
8 Semi-skilled workers	Rs. 40
5 Unskilled workers	Rs. 30

According to given specifications, a week consists of 50 hours and standard output for a week is 1,200 units. In a particular week, gang consisted of 13 skilled workers, 5 Semi-skilled workers and 7 Unskilled workers and actual wages paid are as follows :

Skilled workers @ Rs. 48 per hour

Semi-skilled workers @ Rs. 45 per hour

Unskilled workers @ Rs. 25 per hour.

Two hours were lost in the week due to abnormal idle time. Actual production was 1100 units in week.

Find out :

- (i) Labour rate variance ;
- (ii) Labour mix variance ;
- (iii) Labour idle time variance ;
- (iv) Labour yield variance ;
- (v) Labour efficiency variance ; and
- (vi) Labour cost variance.

4. Answer any *one* from the following questions :

10 × 1

- (a) ABC 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 :

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

Direct labour costs Rs. 6 per unit 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 :

	%
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	<u>100</u>

The following activity volumes are associated with the product line for the period as a whole.

Total activities for the period :

	Number of set-ups	Number of movements of materials	Number of inspections
Product P	75	12	150
Product Q	115	21	180
Product R	480	87	670
	<u>670</u>	<u>120</u>	<u>1000</u>

You are required to :

4 + 4 + 2

- (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).

(b) Write notes on the following :

5 + 5

- (i) Steps in developing Target Costs ;
and
- (ii) Just in Time Approach in Cost Accounting.

[Internal Assessment — 10 Marks]

