

POST-GRADUATE COURSE  
Term End Examination — December, 2007

M.Com.  
COST ACCOUNTING

PAPER IX

Time — 2 hours

Full marks—50  
(Weightage of marks—80%)

Special credit will be given for accuracy and relevance in the answer. Marks will be deducted for incorrect spelling, untidy work and illegible handwriting. The weightage for each question has been indicated in the margin.

Group - A

Answer any one question.

1. Briefly discuss the steps that are usually followed for introduction of a costing system in a manufacturing concern and also state the advantages of introducing the system. 9+6
2. A manufacturing firm is currently producing and selling a product @ Rs. 2,500 per unit. The cost of the product is given below :  
Materials : 40% of cost of sales  
Wages : 40% of cost of sales  
Overheads : 20% of cost of sales

The firm expects that the materials and wages cost will go up by 10% and overheads will increase by 20% in the next year. Further, it has been estimated that if the selling price remains unchanged, the profit will

decrease by 50% due to increase in costs as mentioned above.

You are required to compute the next year's selling price that will allow the firm to earn same rate of profit as in the current year and prepare a comparative statement for the current year as well as the next year showing therein unit cost, profit and selling price.

5+10

Group - B

Answer any one question.

3. Write short notes on the following :  
(a) Operating or Service Costing  
(b) Activity-based Costing  
(c) Sunk Costs  
(d) Discretionary Costs 2½×4
- 4.(a) State how you would treat under or over-absorption of overheads in the cost accounts. 5  
(b) From the following information supplied by A Ltd. for the year ended 31.03.2007, calculate under / over-absorption of overheads, if any.

Production Departments

	I	II
Budgeted Overhead (Rs.)	60,000	75,000
Budgeted Machine Hours	10,000	15,000
Actual Machine Hours Worked	12,000	12,000
Actual Overhead Incurred (Rs.)	70,000	65,000

5

Group - C

Answer any one question.

- 5.(a) Define 'Joint Product' and 'By-Product'. 3  
(b) Explain the terms 'Waste', 'Scrap', 'Defective' and 'Spoilage' with their accounting treatments. 4+8

(3)

PG CO-IX

6.(a) X Ltd. undertook a contract for a contract price of Rs. 25 lakh on 01.04.2006. Prepare 'Contract Account' from the following details relating to the contract for the year ended 31.03.2007.

	Rs.
Materials purchased	5,00,000
Wages paid	2,25,000
General Expenses	50,000
Plant Purchased	2,50,000
Materials at Site (31.03.07)	1,25,000
Wages Outstanding (31.03.07)	25,000
Cash Received	7,50,000
Work Certified	10,00,000
Cost of Work Uncertified	75,000
Depreciation on Plant	20% p.a.

12

(b) Consider the information given below and calculate the cost escalation assuming that the contract contains the following escalation clause :

'In the event of increase in both materials and wages costs by more than 10%, the contract price would increase by 50% of the increase in materials and wages cost beyond 10%.

It was found that the materials costs and wages costs increased by Rs. 1,00,000 and Rs. 50,000 respectively compared to the price prevailing at the time of signing the contract.

3

### Group - D

Answer any one question.

7. What is 'Marginal Costing' ?

Point out the differences between 'Marginal Costing' and 'Absorption Costing'.

2+8

P.T.O.

PG CO-IX

(4)

8. The following figures are available from the records of Y Ltd. for the years 2005 and 2006.

	2005 Rs.	2006 Rs.
Sales	3,00,000	4,00,000
Profit /(Loss)	(10,000)	30,000

Calculate : (i) Fixed Costs,  
(ii) Break-even sales,  
(iii) Sales required to earn a profit of Rs. 50,000,  
(iv) Profit or Loss if sales amount to Rs. 2,00,000,  
and (v) 'Margin of Safety' for the year 2006.

10