Post-Graduate Course

Term End Examination – 2006 Part-I

M. Com.

Cost Accounting

Paper - IX

Time : Two 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.

Module I

Marks : 25

Group – A

Answer ***any one*** question.

1. What is costing ? Distinguish between 'Method' and 'Technique' of costing. Explain any one 'Method' and one 'Technique' of your choice. 2+3+(5+5)

2. The overhead incurred in three production departments (P_1, P_2 & P_3) and two service departments (S_1 and S_2) of a manufacturing concern, and service rendered by the service departments to other departments, during March, 2006 are given below.

	P_1	P_2	P_3	S_1	S_2
Overhead (Rs)	15,520	17,760	12,000	8,160	8,560
Service rendered by :					
S_1	30%	40%	10%	—	20%
S_2	20%	30%	40%	10%	—

P.T.O.

The machine hours worked in the production department during the same period were as follows :

P_1 — 5090 hours

P_2 — 4912 hours

P_3 — 2440 hours

Calculate the overhead recovery rates applicable to the production departments.

(Use simultaneous equation method for apportioning service department expenses) 10+5

Group – B

Answer ***any one*** question.

3. Explain the following terms : $2\frac{1}{2} \times 4$

   a) Relevant cost

   b) Imputed cost

   c) Opportunity cost

   d) Discretionery cost

4. A firm sells its product at Rs. 2400 per unit.
   Cost structure of the product is as follows :

   Direct Material : 40% of cost of sales

   Direct Wages : 30% of cost of sales

   Overhead : 30% of cost of sales

   The firm anticipates that material price will go up by 10% and overhead will increase by 20%. The increase in cost will result in the decrease in profit by 50%, if selling price remains unchanged.

   Compute the selling price per unit at which the firm should sell its products in order to earn the same amount of profit per unit as it has earned before increase in costs. Also

prepare a statement showing therein per unit cost, profit and sales (after increase in costs). 10

Module II

Marks : 25

Group – C

Answer ***any one*** question.

5. What is Break-even Chart ? State the basic assumptions that are made while constructing a Break-even Chart and examine their validity. Explain the usefulness of a Break-even Chart. (2+4+4+5)

6. A manufacturing concern is currently producing and selling 10,000 units of a product operating at 50% of its capacity. The following data relate to the current level of operation.

	Per unit
	Rs.
Sales	25
Direct Material	8
Direct Wages	6
Production Overhead	5
(40% fixed)	
Administration Overhead	3

i) Calculate P/V Ratio, Break-even Sales, and Margin of Safety for the current level of operation.

ii) The company wants to increase its level of operation to 80%. At this level, the company expects that the variable costs will increase by 25% and fixed cost, by Rs. 12,500. However, the company would be able to increase its selling price by only 10%.

Calculate the Break-even Sales and Margin of Safety considering the above changes.

iii) Suggest the level of operation at which the company should operate. (6+5+4)

Group – D

Answer ***any one*** question.

7. What do you mean by inter-process profit ? Why is it ascertained and what are its disadvantages ? (2+4+4)

8. In course of manufacturing its main product, a company processes two by-products — X & Y. Prepare a comparative Profit & Loss statement from the following particulars.

	Main Product	**By-Products**	
		X	**Y**
	Rs.	**Rs.**	**Rs.**
Sales	6,00,000	48,000	72,000
Post-separation Costs	60,000	9,600	10,800
Estimated Selling Expenses (as a % of Sales)	20%	10%	15%
Estimated Net Profit (as a % of Sales)		20%	30%

Total costs up to the point of separation amount to Rs. 2,32,800 which is to apportioned on the basis of Reverse Cost Method. 10

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