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**[3570]-105**

**M. Com. (Semester - I) Examination - 2009**

**ADVANCED COST ACCOUNTING AND COST SYSTEMS**

**SPECIAL PAPER - I**

**ADVANCED COST ACCOUNTING**

**(Group - B)**

**(2008 Pattern)**

**Time : 3 Hours]**

**[Max. Marks : 80**

**Instructions :**

- (1) *Attempt all questions.*
- (2) *Figures to the right indicate full marks.*
- (3) *Use of calculator is allowed.*
- (4) *Answer to both the sections should be written in the same answer-book.*

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**SECTION - I : THEORY**

**Q.1) (A) Fill in the blanks :**

**[06]**

- (a) Primary Packing Material is \_\_\_\_\_ Cost.
- (b) Vendor Rating is used for selection of \_\_\_\_\_.
- (c) Payment at 80% of normal piece rate for low efficiency and payment at 120% of normal rate for high efficiency, is the principle of payment by \_\_\_\_\_ Piece Rate System.
- (d) Actual Overhead Rs. 5,200. Units produced 2,500 and Overhead absorbed at Rs. 2 per unit. In this case there is \_\_\_\_\_ absorption of Rs. \_\_\_\_\_.
- (e) In Process Costing, Abnormal Gain is valued at the rate of \_\_\_\_\_ output.
- (f) For Service Industries \_\_\_\_\_ Costing Method should be used.

- (B) Write true or false, with reason in brief : [06]
- (a) ABC Analysis is a technique used for Labour Control.
  - (b) Job Evaluation is necessary for deciding the skill requirement of the worker.
  - (c) Depreciation is not a Overhead Cost.
  - (d) Standard Costing is a Method of Costing.
  - (e) There are six stages in the Product Life Cycle.
  - (f) Life Cycle Costing is not beneficial.

**Q.2)** Explain essentials of a Good Method of Remuneration of Labour. Explain merits, demerits and suitability of Time Rate and Piece Rate Methods. [12]

**OR**

**Q.2)** Discuss treatment of the following items of expenses in Cost Accounts : [12]

- (1) Interest on Capital
- (2) Leave Salary and Bonus
- (3) R and D Costs
- (4) Abnormal Idle Time

**Q.3)** Write short notes on **any four** of the following : [16]

- (a) Under and Over-absorption of Overheads
- (b) Escalation Clause in a Contract
- (c) Continuous Stock Taking
- (d) Phases of Product Life Cycle
- (e) Product Life Cycle Costing
- (f) Secondary Distribution of Overheads

## SECTION - II : PRACTICAL PROBLEMS

**Q.4) (A)** X Ltd. purchases component A as per the EOQ.

The details about the component are as follows :

Purchase Price per unit Rs. 200

Ordering Cost per order Rs. 100

Carrying Cost of Inventory 10% of average value.

Annual requirement of the component 4,000 units.

The supplier offered 2% discount if the order is for 2,000 units and 5% discount if the order is for 4,000 units.

Compute EOQ and advise the company whether to accept the offers or not ?

[06]

**(B)** The standard time allowed for a job is 30 hours.

The hourly rate of guaranteed wages is Rs. 15. Because of saving in time, Mr. Ravi earns effective rate of Rs. 18 per hour worked, under Rowan Premium System.

For the same saving in time, calculate effective hourly rate of wages Mr. Jay will get under Halsey Premium Plan.

[06]

**Q.5)** A machine shop contains four newly purchased machines, each occupying equal space and costs as :

Machine A - Rs. 20,000, B - Rs. 25,000, C - Rs. 30,000 and D - Rs. 40,000.

The annual expenses of the machine shop are as follows :

	Rs.		Rs.
Rent	10,000	<b>Electric Power :</b>	
Rates and Water	4,250	Machine A	5,100
Light and Heat	3,150	Machine B	5,000
Administration	9,500	Machine C	12,000
Sundry Running Expenses	20,000	Machine D	14,500

Calculate Machine Hour Rate for each machine assuming 45 hours week, 50 weeks per year, 80% utilisation and life of each machine being 10 years without any scrap value. [12]

**Q.6)** From the following information relating to a Hotel, calculate room rent to be charged to give a profit of 25% on cost excluding interest. [16]

- (1) Salaries of the Staff Rs. 8,00,000 p.a.
- (2) Wages of the room attendant Rs. 100 per day.  
There is a room attendant per room. He is paid wages only when the room is occupied.
- (3) Lighting, heating and power :
  - (i) Normal lighting expenses for a room for the whole month is Rs. 500, when occupied.
  - (ii) Power is used only in winter and the charges are Rs. 200 for a room, when occupied.
- (4) Repairs to buildings Rs. 1,00,000 p.a.
- (5) Linen etc. Rs. 48,000 p.a.
- (6) Sundries Rs. 66,000 p.a.
- (7) Interior Decoration and Furnishing Rs. 1,00,000 p.a.
- (8) Depreciation @ 5% on Building Cost of Rs. 40 lakhs.
- (9) Interest is to be charged at 5% on Investment in Buildings and Equipments of Rs. 10,00,000.
- (10) There are 100 rooms in the hotel, 80% of the rooms are occupied in summer and 30% in winter. The period of summer and winter may be considered be of 6 months, in each case. A month is of 30 days.