



# THE AMERICAN COLLEGE, MADURAI

(An Autonomous Institution Affiliated to Madurai Kamaraj University)

Re-accredited (2<sup>nd</sup> Cycle) by NAAC with Grade "A", CGPA – 3.46 on a 4-point scale

## Backlog Arrear Examination, March 2021

### ADVANCED COSTING

PCO 5611

Maximum Marks: 75

Time : 3 hours

Answer any FIVE questions

5 X 15 = 75

1. The following information relates to a building contract for Rs.1000000 and for which 80% of the value of work-in-progress as certified by the architect is being paid by the contractee.

	2000 Rs.	2001 Rs.	2002 Rs.
Materials issued	120000	145000	84000
Direct wages	110000	155000	110000
Site expenses	5000	17000	6000
Indirect Expenses	2000	2600	500
Work certified 31 <sup>st</sup> December	235000	750000	1000000
Work done but not certified	2800	8000	Nil
Materials at site	2000	5000	8000
Value of plant issued	14000		

The value of the plant at the end of 2000, 2001 and 2002 was Rs.11200, Rs.7000 and Rs.3000 respectively. Prepare contract account for the three years taking into account such profit as you think proper on incomplete contract.

2. What is Activity Based Costing? Discuss the advantages and limitations.
3. A) Following information is extracted from the cost accounts of a factory producing a commodity in the manufacture of which three processes are involved. Prepare Process Accounts showing the cost of the output and the cost per unit at each stage of manufacture. You may presume that:  
The operation in each separate process are completed daily; and  
The value at which units are to be charged to Process two and three is the cost per unit of Process one and one plus tow respectively.

Particulars	Process – I	Process – II	Process - III
Direct Wages	2500	5000	6500
Machine Expenses	1400	1200	1200
Factory overheads	1100	1550	900
Raw materials consumed	8000	-	-
	Units	Units	Units
Production (Gross)	2750	--	--
Wastage	150	210	200
Opening stock of Raw Materials	--	250	500
Closing Stock of Raw Materials	--	440	100

B) Write short notes on Process Costing, Normal loss and abnormal loss.

4. The following figures were available in respect of Ashok Engineering Company for the year ended 31<sup>st</sup> March, 2001.

Particulars	Financial Accounts	Cost Accounts
Opening Stock:		
Raw Material	6000	5000
Work-in-progress	7000	6500
Finished Stock	5000	4500
Closing Stock		
Raw Material	4000	4300
Work-in-progress	3000	3700
Finished Stock	5900	5200
Purchases	40000	
Direct wages	20000	
Factory Expenses	20000	21000
Sales	110000	
Administration Expenses	3000	2300
Selling Expenses	4000	4500
Financial Expenses	1000	
Interest and Dividends Received	1600	

Compute profit Financial Accounts as well as in Cost Accounts and prepare a Reconciliation Statement. Show clearly the reasons for variation of the two profit figures.

5. Discuss the following
- i) Responsibility Accounting Meaning and Advantages
  - ii) Responsibility Centre Meaning and Types
6. Discuss the Essentials for success of cost reduction programme.
7. State the important provisions of Cost Audit (Report) Rules 1996.

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