M.Com Sem-III 09/01/2020

Time: 2 Hours Marks : 60

Note: 1) All questions are compulsory subject to internal option.
2) Figures to the right indicate full marks.
3) All workings shall form part of your answer.

Q.1The following data pertains to Process A for October, 2019 of Sawant Ltd. (15)

1. Opening stock of WIP 800 units at a cost of Rs. 4,000
Degree of completion: Material 100%: Labour 60% and Overhead 60%.
2. Input of Materials: 9,200 Units at cost of Rs. 36,800
3. Direct Wages incurred Rs. 16,740.
4. Overhead incurred Rs. 8,370
5. Units scrapped 1,200 units. The stage of completion of these units was:
Materials 100%
Labour and Overhead 80%.
6. Closing WIP: 900 units. Degree of Completion:
Materials 100%
Labour and overhead 70%
7. Normal loss is 8% of total input (Opening WIP Units + Input units)
8. Scrap value Rs. 4 per unit.
9. Units transferred to the next process. 7,900 units.

You are required to:

1.Statement of equivalent Units of production. (Use FIFO Method)
2.Statement showing cost per equivalent unit.
3. Statement of Cost Apportionment.
4.ProcessA Account.

OR

(15)

Q.1XYZ Ltd is engaged in process industry. Opening Stock of WIP 200 units,During the month August 2019, 1,800 units were introduced in process 'X'. The normal loss was estimated at 5% of total input(Opening WIP Units + Input units). At the end of the month 1,400 units had been produced and transferred to process 'Y'. 460 units were incomplete and 140 units, after passing through fully the entire process had to be scrapped. The incomplete units had reached the following stage of completion:

Material 75%,Labour 50% & Overheads 50%.

Following are the further information on the process 'X':

Cost of Opening Stock of WIP:

Material: Rs. 14,400	Labour:Rs. 3,400	Overheads: Rs. 1,700

Cost record of the 1,800 Units

Material: Rs.58,000	Labour: Rs.30,000	Overheads: Rs.15,000

Units scrapped realized at Rs.10 each

You are required to:

1. Statement of equivalent Units of production. (Use Average Method)
2. Statement showing cost per equivalent unit.
3. Statement of Cost Apportionment.
4. Process X Account.

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Q.2Aptech Mobile manufactures 10 different models of Mobiles as well as several other types of components. The data relating to one of their A2 Mobile and the ABC cost pools are given below: **(15)**

(a) A2 Mobile: annual production 20,000 units, direct materials per unit Rs. 900, direct labour per unit Rs. 600.

(b)Manufacturing overhead cost pools

ACTIVITY COST POOL	COST DRIVER	ASSOCIATED COST (Rs.)
Material Ordering	No. of Purchase Order	80,00,000
Material Inspection	No. of Receiving Report	40,00,000
Equipment Setup	No. of Setups	2,00,00,000
Quality Control	No. of Inspection	90,00,000
Others	Direct Labour Cost	1,50,00,000
Total		**5,60,00,000**

(c)Activity information related to cost drivers:

Cost Pool	Annual Activity	
	All Products	**A2 Mobile**
Material Ordering	1,00,000 orders	10,000 orders
Material Inspection	10,000 reports	3,000 reports
Equipment Setup	10,000 setups	100 setups
Quality Control	20,000 inspection	4,000 inspection
Others	1,00,000 Direct Labour Hours	12,000 Direct Labour Hours

You are required to calculate allocation of overheads to A2 Mobile using activity based costing and also calculate cost of A2 Mobile.

OR

Q.2In a factory, there are three production departments and two service departments, i.e. A, B, C, P and Q respectively. In April 2019 the departmental expenses were as follows: (15)

Production Department			Service Department	
A	B	C	P	Q
Rs. 23,000	Rs. 6,000	Rs. 6,500	Rs. 4,500	Rs. 2,000

The service department expenses are charged out on percentage basis as follows:

	Production Department			Service Department	
	A	B	C	P	Q
Service Department P	40%	30%	20%	-	10%
Service Department Q	30%	30%	20%	20%	-

You are required to apportion the cost of service departments to production department under repeated distribution method and Simultaneous Equation Method.

Q.3Hugo Ltd. is segmented into three division X, Y & Z. all were formed in the same year and now all the assets have left exactly one-half of their expected life. The top management is attempting to

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determine which of the division is the most profitable. The following data have been prepared for the analysis: **(15)**

Particulars	Division		
	X (Rs.)	Y (Rs.)	Z (Rs.)
Net income before Tax	1,56,000	1,80,000	1,92,000
Investment – Gross Value	7,80,000	10,00,000	12,00,000
Investment – Net Value	3,90,000	5,00,000	6,00,000

You are required to calculate annual return of investment (ROI) and residual income (RI) considering 12.5% as interest charge for all the three division on Gross & Net Value of Investment. Also prepare ranking of the three divisions.

OR

Q.3 A company is organised into two divisions namely X&Y and produces three products namely P, Q and R. Data per unit is as follows: **(15)**

Particulars	P	Q	R
Selling Price Per Unit (Rs.)	120	115	100
Variable Cost Per Unit (Rs.)	84	60	70
Direct Labour Hours Per Unit	4 Hours	5 Hours	3 Hours
Maximum Sales Potential (Units)	1,600	1,000	600

Division Y has a demand for 600 units of Product Q for its use. If Division X cannot supply the requirement. Division Y can buy a similar product from market at Rs. 105 per unit.

What should be the Transfer Price of 600 units of Q for Division Y, if the total Direct Labour Hours available in Division A are restricted to 15,000 hours?

Q.4

A. State whether following statements are True or False: **(08)**

1. Invisible waste has no scrap value.
2. Overheads absorption is the allotment of overheads to cost units.
3. Departments that assist production departments indirectly are called service departments.
4. The manager of profit centre has the ability to set selling price.
5. Activity based costing can only be used to allocate manufacturing factory overheads.
6. An investment centre manager is concerned with investment decisions of the company.
7. Traditional costing systems are generally more accurate than ABC costing.
8. The actual sale of units scrap representing normal loss is credited to Profit & Loss A/c.

B. Multiple Choice Questions: **(07)**

1. Expenses such as rent and depreciation of building shared by several departments are ____________.

   a. Indirect Expenses b. Direct Expenses c. Joint Expenses.

2. If an item of overhead expenditure was not charged specifically to a single department this would be an example of ____________ ...

   a. Apportionment b. Allocation c. Re-apportionment

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3. Cost Allocation bases in activity based costing should be ___________.
   a. Cost Driver   b. Cost Pool   c. Activity centre

4. Activity Based Costing is ____________.
   a. a method of allocating indirect costs   b. another name of benchmarking   c. a cost object

5. The manager who is concerned with cost management in a responsibility centre is called _________ manager.
   a. Cost Centre   b. Profit Centre   c. Investment centre

6. Return on Investment is computed by dividing income by ____ _______.
   a. Assets invested   b. Assets employed   c. Contribution margin

7. As the internal transfer price is increased ______________.
   a. profits in selling division increase
   b. profit in the buying division increase
   c. overall corporate profits decrease.

OR

Q.4 Short Notes: (Any 3 out of 5) (15)

1. Normal Loss v/s Abnormal Loss
2. Advantages of Activity Based Costing (ABC)
3. Types of Responsibility centres.
4. Allocation v/s Apportionment
5. Objectives of Transfer Pricing

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