

AU-1542

M.Com. Semester—I (New) Examination
ADVANCED FINANCIAL AND COST ACCOUNTING

Time : Three Hours]

[Maximum Marks : 80

- N.B. :—** (1) All questions are compulsory Section 'A' and Section 'B' both should be solved.
- (2) The figures to the right indicate marks to the question.
- (3) Give working notes wherever necessary.

SECTION—A

1. The main objective of financial accounts is : 1
 - (a) Calculation of Profit
 - (b) Comparison of final statements
 - (c) Calculation of ratios
 - (d) All the above
2. Sales returns means : 1
 - (a) Unsold goods
 - (b) Opening stock
 - (c) Return inwards
 - (d) Work in progress
3. The method adopted for valuing goodwill is : 1
 - (a) By an arbitrary assessment
 - (b) By a capitalization of expected net profits or earnings
 - (c) By super profits or earnings
 - (d) All the above
4. Which of the following types of merger is least likely to benefit from economies of scale following the merger ? 1
 - (a) Complementary merger
 - (b) Conglomerate merger
 - (c) Vertical merger
 - (d) Horizontal merger

5. Final Accounts of company means : 1
 - (a) Balance Sheet (b) Profit and Loss Account
 - (c) State of changes in financial position (d) Balance Sheet and Profit and Loss Account
6. The credit balance of Profit and Loss Appropriation Account in the case of a company is transferred to : 1
 - (a) Capital Account (b) Current Account
 - (c) Reserves and Surplus (d) None of the above
7. All assets will be valued at : 1
 - (a) Book value (b) Market value
 - (c) Cost depreciation (d) None of these
8. Capital reserve is treated as : 1
 - (a) Capital Profit (b) Divisible Profit
 - (c) Gross Profit (d) Net Profit
9. Which of the following is not method of costing ? 1
 - (a) Uniform Costing (b) Operating Costing
 - (c) Operation Costing (d) Contract Costing
10. Cost of goods produced includes : 1
 - (a) Production Cost and Finished Goods inventory
 - (b) Production Cost and Work in Progress
 - (c) Production Cost, Work in Progress and Finished Goods inventory
 - (d) None of the above
11. Indirect Costs are known as : 1
 - (a) Variable Costs (b) Fixed Costs
 - (c) Overhead (d) None of the above

12. Which of the following "Cost Unit" is suitable for bicycle industries ? 1
 (a) Number (b) Per kilogram
 (c) Per tonne (d) Per square foot
13. In goods transport service industries most used cost unit is : 1
 (a) Per Passenger per tonne (b) Per Tonne
 (c) Per Tonne km (d) (b) or (c)
14. In Service Costing profit/loss is ascertained by preparing : 1
 (a) Profit and Loss A/c (b) Production A/c
 (c) Memorandum Account (d) Operating Cost Sheet
15. Depreciation is _____ Expenditure. 1
 (a) Variable (b) Semi Variable
 (c) Fixed (d) None of the above
16. Machine Hour rate is the cost of running a machine : 1
 (a) Per Hour (b) Per Day
 (c) Per Work (d) Per Year
17. Which of the following is not a cost that is accumulated in work-in-process ? 1
 (a) Direct Material (b) Administrative expenses
 (c) Direct labour (d) Factory overheads
18. A process costing system for Jayant and Co. used an input of 3500 kg of material at Rs. 20 per kg and labour hours of 2750 at Rs. 25 per hour. Normal loss is 20% and losses can be sold at a scrap value of Rs. 5 per kg. Output was 2950 kg. What is the value of the output ? 1
 (a) Rs. 1,42,496 (b) Rs. 1,46,183
 (c) Rs. 1,49,746 (d) Rs. 1,52,986

19. In contract costing, determination of work in progress include : 1
- (a) Work Certified (b) Work Uncertified
- (c) Retention Money (d) Both (a) and (b)
20. In contract costing credit is taken only for a part of the profit on : 1
- (a) Completed Contract (b) Incomplete Contract
- (c) Both (a) and (b) (d) (a) or (b)

SECTION—B

1. The Trial Balance shows a difference of Rs. 1907 in the debit column of a trader. This difference is tallied by putting this difference against a suspense account. Later the following errors are discovered :
- (1) Sale to Ravindra of Rs. 1200 was posted to his account as Rs. 120.
 - (2) Credit Sales to Vinay of Rs. 500 was correctly recorded in the sales book but it was not posted to his account by omission.
 - (3) Credit purchases from Kanchan, worth Rs. 315 was correctly recorded in the purchases book but it was posted to her account as Rs. 351.
 - (4) Paid wages Rs. 1545 were posted to wages account as Rs. 1554 in place of Rs. 1545
 - (5) The purchases book was erroneously undercast by Rs. 200.
 - (6) Payment of Rs. 1900 was made by Ashok and discount of Rs. 100 was allowed to him. A sum of (Rs. 1900 + Rs. 100) Rs. 2000 was credited to Ashok's Account, but the discount allowed of Rs. 100 was not entered in the discount column of the cashbook. 12

OR

From the following information calculate the value of goodwill by super profit (simple and weighted) method :

- (i) Average capital employed in the business is Rs. 6,00,000.
- (ii) Net trading profits of the firm for the past three years were Rs. 1,07,600, Rs. 90,700 and Rs. 1,12,500 respectively.
- (iii) Rate of interest expected from capital having regard to the risk involved is 12% p.a.
- (iv) Fair remuneration of Rs. 12,000 per annum to the partners for their service was not charged to profit and loss account so far. 12

2. Jagdamba & Co. Ltd. is a company with an authorised capital of Rs. 50,00,000 divided into 50,000 equity shares of Rs. 100 each on 31st March 2017, 25,000 shares were fully called up. The following are the balances extracted from the Ledger of the company as on 31st March 2013 :

	Rs.
Stock	5,00,000
Sales	42,50,000
Purchases	30,00,000
Productive wages	7,00,000
Discount allowed	42,000
Discount received	31,500
Insurance Premium up to 30 June, 2017	67,200
Printing & Stationery	24,000
Advertising Expenses	38,000
Debtors	3,87,000
Creditors	3,52,000
Plant and Machinery	8,05,000
Salaries	1,85,000
Rent	60,000
General Expenses	89,000
Profit & Loss A/c (Cr)	62,200
Furniture	1,71,000
Cash at Bank	13,47,000
General Reserve	2,50,000
Loan from Managing Director	1,57,000
Bad Debts	32,000
Call in arrears	50,000
Bonus	1,05,000

You are required to prepare Trading and Profit and Loss Account for the year ended 31st March 2017 and the Balance Sheet (in proper form) as on that date of the company.

The following further information is given :

- (i) Closing Stock Rs. 9,15,000.
- (ii) Depreciation to be charged on Plant Machinery at 15% and Furniture 10%.
- (iii) Outstanding Expenses : Wages Rs. 52,000, Salaries Rs. 12,000 and Rent Rs. 6,000.
- (iv) Directors have proposed a dividend on 5% paid capital:

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OR

The Balance Sheets of Ravi Co. Ltd. and Kiran Co. Ltd. as on 31st March 2017 were as under :

Liabilities	Ravi Ltd. (Rs.)	Kiran Ltd. (Rs.)
Share Capital :		
Pref. Shares of Rs. 100 each.	5,00,000	—
Equity Shares of Rs. 10 each	15,00,000	5,00,000
General Reserve	8,00,000	—
Profit & Loss A/c	9,00,000	3,20,000
Creditors	50,000	20,000
	37,50,000	8,40,000
Assets :		
Goodwill	2,00,000	70,000
Fixed Assets	30,50,000	2,50,000
Investment	1,80,000	25,000
Stock	2,00,000	2,70,000
Debtors	80,000	1,65,000
Cash at Bank	40,000	60,000
	37,50,000	8,40,000

A New Company 'Ravi Kiran' was formed to acquire the Assets & Liabilities of 'Ravi Co. Ltd.' and 'Kiran Co. Ltd.'

The terms of acquisition were as under :—

- (i) Ravi Kiran to have on Authorised Capital of Rs. 50,00,000 divided into 4,00,000 Equity Shares of Rs. 10 each and 10,000, 14% Preference Shares at Rs. 100 each.

- (ii) Business of 'Ravi Co. Ltd.' was valued at Rs. 40,00,000 and settlement was made by issue of Equity Shares at Rs. 20 each.
- (iii) Business of 'Kiran Co. Ltd.' was valued at Rs. 10,00,000 to be satisfied by issue of 50,000 Equity Shares of Rs. 20 each.
- (iv) Ravi Kiran Co. Ltd. made a public issue of 6,000, 14% Preference Shares of Rs. 100 each at par and Rs. 10,00,000 Equity Shares at Rs. 20 each.
- (v) Cost of formation of Ravi Kiran Co. Ltd. amounted to Rs. 56,000.
- (vi) Cost of Liquidation of Ravi Co. Ltd. amounted to Rs. 10,500 and Kiran Co. Ltd. Rs. 5,400 and the same was paid by 'Ravi Kiran Co. Ltd.'

Give Journal entries in the books of Ravi Co. Ltd. and Kiran Co. Ltd. 12

3. "A good system of costing serves as means of control over expenditure and helps to secure economy in manufacture." Discuss this statement to show the objects and functions of Cost Accounting. 12

OR

Work out in Cost Sheet from the unit cost of production per ton of special paper manufactured by a "Disha Paper Product" in March 2017 from the following data :

- (1) **Direct Materials** :

Paper Pulp : 500 tons @ Rs. 5,000 per ton.

Other Materials : 100 tons @ 3,000 per ton.

- (2) **Direct Wages** :

80 Skilled Labour @ each Rs. 300 per day for 25 days.

40 Unskilled Labour @ each Rs. 200 per day for 25 days.

- (3) **Direct Expenses** :

Special Equipment Rs. 3,00,000.

Special Dyes : Rs. 1,00,000.

- (4) **Production Overhead** :

Variable @ 100% and Fixed @ 60% on direct wages. Administrative overhead @ 10% and Selling and Distribution overhead @ 15% of Factory Cost. Profit 10% on total cost.

400 tons of special paper was manufactured and Rs. 80,000 was realised by the sale of waste material during the course of manufacture. The scrap value of the special equipment after utilisation in manufacture is nil. 12

4. The following expenses have been incurred in respect of a shop having four identical machines.

	Rs.
(i) Rent & Rates	60,000 p.m.
(ii) Power consumed by shop (@ Rs. 5 per unit)	2,40,000 p.m.
(iii) Repairs & Maintenance	10,000 p.m.
(iv) Shop Supervisor's Salary	6,000 p.m.
(v) Lighting	8,000 p.m.
(vi) Lubricants and Cotton Waste	1,000 p.m.
(vii) Hire Purchase instalment for the machines (including interest Rs. 3,000)	8,000 p.m.
(viii) Depreciation per machine	6,000 p.m.
(ix) There are two attendants in a shop each getting Rs. 6,000 per month.	
(x) Each machine consumes 10 units of power per hour.	

Calculate machine hour rate.

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OR

Navdurga Transporter supplies the following details in respect of a truck of 5 ton capacity :

- (i) Cost of Truck Rs. 18,00,000.
- (ii) Estimated Life of truck 10 years.
- (iii) Diesel, Oil etc. Rs. 1,500 per trip for each way.
- (iv) Repair and Maintenance Rs. 10,000 per month.
- (v) Driver wages Rs. 10,000 per month.
- (vi) Cleaner wages Rs. 5,000 per month.
- (vii) Insurance Rs. 48,000 per annum.
- (viii) Tax Rs. 48,000 per annum.
- (ix) General Supervision charges Rs. 48,000 p.a.
- (x) The Truck carries goods to and fro in the city covering a distance of 50 kms each trip.
- (xi) For onward trip freight is available to the extent of full capacity and return 20% of the capacity.
- (xii) The truck operates on an average 25 days in a month.
- (xiii) Assume that truck makes only one trip.

Calculate operating cost per ton km and rate per ton trip that transporter should charge if a profit of 50% on freight is to be earned.

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5. Following particulars are obtained from the books of “Ashok Fertilizers Limited” for the year ending on 31st March, 2017 :

Particulars	Process		
	A	B	C
Raw Material in tonnes	200	71	264
Cost per ton in Rs.	1,000	3,000	2,500
Direct wages in Rs.	80,000	34,900	28,500
Direct Expenses in Rs.	25,200	24,000	38,200
Finished Product transferred to warehouse	25%	50%	100%
Finished Product transferred to next process	75%	50%	—
Sale of Scrap per ton Rs.	800	1,000	1,200

In each process 6% of the total weight is lost and 8% is Scrap. Prepare Process Cost Account. 12

OR

What is meant by the term “Cost Audit” ? What are the objectives and advantages of Cost Audit ? 12

