

**CMA DECEMBER, 2020 EXAMINATION
 PROFESSIONAL LEVEL-III
 SUBJECT: 302. ADVANCED COST ACCOUNTING**

Time: Three hours

Full Marks: 100

- ❖ All questions are to be attempted.
- ❖ Show computations, where necessary.
- ❖ Answer must be brief, relevant, neat and clean.
- ❖ Start answering each question from a fresh sheet.

Q. No. 1

- (a) Process costing is used to do costing of products by organizations producing similar product in large quantities. Do you agree? Why or why not?
- (b) The Sporting Bag Company manufactures golf bags in a two-department process: Assembly and Finishing. The Assembly Department uses weighted average costing; the cost driver for overhead in this department is unrelated to direct labor. The Finishing Department adds the hardware to the assembled bags and uses FIFO costing. Overhead is applied to the bags in this department on a direct labor basis. During June, the following production data and costs have been gathered:

Assembly Department: Units

	Units
Beginning work in process (100% complete for material; 40% complete for labor; 30% complete for overhead)	250
Units started	8,800
Ending work in process (100% complete for material; 70% complete for labor; 90% complete for overhead)	400

Assembly Department: Costs

	Material	Direct Labor	Overhead	Total
Beginning inventory	\$ 3,755	\$ 690	\$ 250	\$ 4,695
Current	100,320	63,606	27,681	191,607
Totals	\$104,075	\$64,296	\$27,931	\$196,302

Finishing Department: Units

	Units
Beginning work in process (100% complete for transferred-in; 15% complete for material; 40% complete for conversion)	100
Units transferred in	8,650
Ending work in process (100% complete for transferred-in; 30% complete for material; 65% complete for conversion)	200

Finishing Department: Costs

	Transferred-In	Direct Material	Conversion	Total
Beginning inventory	\$ 2,176	\$ 30	\$ 95	\$ 2,301
Current	188,570	15,471	21,600	225,641
Totals	\$190,746	\$15,501	\$21,695	\$227,942

Required:

- (i) Prepare a cost of production report for the Assembly Department.
- (ii) Prepare a cost of production report for the Finishing Department.

[Marks: (5+15) = 20]

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Q. No. 2

- (a) The following are the composition of the gang of workers in a factory during a month, in one of the production departments. The standard composition of the workers and hourly wages rate were as below:

Skilled: Two workers at a standard rate of Tk. 20 per hour each

Semi-Skilled: Four workers at a standard rate of Tk. 12 per hour each

Un-Skilled: Four workers at a standard rate of Tk. 8 per hour each

The standard output of the gang was four units per hour of the product. However, the actual composition of the gang and hourly rates paid were as under:

Type of worker	No. of worker	Wages rate paid per worker per hour
Skilled	2	20
Semi-skilled	3	14
Un-skilled	5	10

The gang was engaged for 200 hours during the month, which included 12 hours where no production was possible, due to machine breakdown. 810 units of the product were recorded as output of the gang during the month.

Required:

- (i) To compute the total variance in labor cost during the month and
 (ii) Analyze the variances in (i) above in sub-variances
- (b) From the following data, compute the variance analysis:

Material	Standard for 10 Kg output		Actual for 1000 Kg output	
	Qty. in Kg	Rate in BDT	Qty. in Kg	Rate in BDT
A	8	6	750	7
B	4	4	500	5

Required:

- (i) Quantity Variance
 (ii) Rate Variance
 (iii) Mix Variance
 (iv) Yield Variance

[Marks: (10+10) = 20]

Q. No. 3

- (a) How value engineering process may lead to making quality products available to customers at affordable price.
- (b) ABC Transport Company has given a route 40 kilometers long to run bus. The bus costs the company a sum of Tk. 100,000. It has been insured at 3% p.a. and the annual tax will amount to Tk. 2,000. Garage rent is Tk. 200 per month. Annual repairs will be Tk. 2,000 and the bus is likely to last for 5 years. The driver's salary will be Tk. 300 per month and the conductor's salary will be Tk. 200 per month in addition to 10% of takings as commission [to be shared by the driver and conductor equally]. Cost of stationery will be Tk. 100 per month. Manager-cum-accountant's salary is Tk. 700 per month. Petrol and oil will be Tk. 50 per 100 kilometers. The bus will make 3 up and down trips carrying on an average 40 passengers on each trip. Assuming 15% profit on takings, calculate the bus fare to be charged from each passenger. The bus will run on an average 25 days in a month.

[Marks: (5+15) = 20]

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Q. No. 4

The following revenues and costs data are the turner Manufacturing's two radial saws. The TM-200 is for the commercial market and the TM-800 is for industrial customers. Both products are expected to have three years life cycle:

TM-200			
	<u>Year-1</u>	<u>Year-2</u>	<u>Year-3</u>
Revenues:	Tk. 5,00,000	Tk. 20,00,000	Tk. 25,00,000
Costs:			
Research and Development ...	10,00,000	0	0
Prototypes	3,00,000	50,000	0
Marketing	60,000	3,20,000	4,75,000
Distribution	80,000	1,20,000	1,30,000
Manufacturing	20,000	8,00,000	10,00,000
Customers service	0	60,000	85,000
Totals:	<u>Tk. 14,60,000</u>	<u>Tk. 13,50,000</u>	<u>Tk. 16,90,000</u>
Income:	<u>Tk. (9,60,000)</u>	<u>Tk. 6,50,000</u>	<u>Tk. 6,10,000</u>

TM-800			
	<u>Year-1</u>	<u>Year-2</u>	<u>Year-3</u>
Revenues	Tk. 9,00,000	Tk. 18,00,000	Tk. 20,00,000
Costs:			
Research and Development ...	11,50,000	0	0
Prototypes	5,50,000	30,000	10,000
Marketing	1,24,000	2,00,000	2,60,000
Distribution	1,70,000	3,00,000	4,10,000
Manufacturing	85,000	6,00,000	7,00,000
Customer service	0	20,000	10,000
Total Cost:	<u>Tk. 20,79,000</u>	<u>Tk. 11,50,000</u>	<u>Tk. 13,90,000</u>
Income	<u>(Tk. 11,79,000)</u>	<u>Tk. 650,000</u>	<u>Tk. 610,000</u>

Required:

- (i) How would a product life-cycle income statement differ from this calendar year income statement?
- (ii) Prepare a three year life-cycle income statement for both products. Which product appears to be more profitable?

[Marks: (10+10) = 20]

Q. No. 5

TQ Ltd. Implemented a quality improvement programme and had the following results:

	2017	2018
	(Figures in Tk. 000)	
Sales	6000	6000
Scrap	600	300
Rework	500	400
Production inspection	200	240
Product warranty	300	150
Quality training	75	150
Materials inspection	80	60

Required:

- (i) Classify the quality costs as prevention, appraisal, internal failure and external failure and express each class as or percentage of sales.
- (ii) Compute the amount of increase in profits due to quality improvement.

[Marks: (15+5) = 20]

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