F 7153

QP CODE: F 7153

Reg No : .....

Name : .....

M COM DEGREE (CSS) EXAMINATION, JANUARY 2022

Fourth Semester

Faculty of Commerce

M.Com

Core - CM010401 - ADVANCED COST AND MANAGEMENT ACCOUNTING

M.COM FINANCE AND TAXATION, M.COM MARKETING AND INTERNATIONAL BUSINESS , M.COM MANAGEMENT AND INFORMATION TECHNOLOGY

2019 ADMISSION (Private - Regular)

9AD01355

Time: 3 Hours Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. List out four activities and its Cost Drivers.
2. Write a short note on facility level activities and batch level activities.
3. Does Activity Based Costing helps in Decision Making? How?
4. A company sold in two successive periods 7,000 units and 9,000 units and has incurred a loss of Rs 10,000 and earned Rs 10,000 as profit respectively. The selling price per unit can be assumed at Rs 100. You are required to calculate:
    1. The amount of Fixed cost.
    2. The number of units to break-even.
    3. The number of units to earn a profit of Rs 40,000.
5. A company has fixed expense of Rs 90,000 with sales at Rs 3,00,000 and a profit of Rs 60,000. Calculate the P/V ratio. If in the next period the company suffered a loss of Rs 30,000, calculate the sales volume.
6. The following data relate to HK Ltd for the year ending 2020:
   Sales- 24,000 units @ Rs. 200 per unit, P/V ratio 25%, Break Even Point 50% of sales.
   You are require to calculate selling price per unit assuming a) P/V ratio remains the same and b) variable cost proportion is constant if break even pont is to be brought down by 4,000 units.
7. In what circumstances can penetration pricing policy be adopted ?

8. What is current standard?

9. What is material price variance?

10. Write explanatory notes on cost-based method of transfer pricing?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. A company producing 3 products A,B and C for which the standard costs and Quantities per unit are as follows

Particulars	A	B	C
Quantity Produced	10,000	20,000	30,000
Direct Material /unit (Rs)	50	40	30
Direct Labour /unit (Rs)	30	40	50
Labour hours /unit	3	4	5
Machine hours/unit	4	4	7
No of purchase requisitions	1200	1800	2000
No of set ups	240	260	300

Production Overhead split by departments
Department 1 = Rs.11,00,000
Department 2 = Rs.15,00,000
Department 1 is Labour Intensive department and Department 2 is Machine Intensive
Total Labour hours in Department 1 = 1,83,333
Total Labour hours in Department 2 = 5,00,000
Production Overhead Split by Activity :

Receiving and Inspecting	Rs.14,00,000
Machine set ups	Rs.12,00,000
Total	Rs. 26,00,000

Number of Batches Received and Inspected = 5000
Number Of Batcheds for set ups = 800
You are required to prepare product cost statement under traditional absorption costing and Activity Based Costing Method

12. What are the benefits of Customer Profitability analysis?

13. What is meant by cost- volume profit analysis? Explain the usefulness of CVP to the management of the company.

14. The Dynamic company has three divisions. Each of which makes a different product. The budgeted

data for the coming year are as follows:

	Amount (Rs.)		
	A	B	C
Sales	1,12,000	56,000	84,000
Direct Material	14,000	7,000	14,000
Direct Labour	5,600	7,000	22,400
Direct Expenses	14,000	7,000	28,000
Fixed Cost	28,000	14,000	28,000
	61,600	35,000	92,400

The Management is considering to close down the division C. There is no possibility of reducing fixed cost. Advise whether or not division C should be closed down.

15. An umbrella manufacturer marks an average net profit of Rs. 2.50 per piece on a selling price of Rs.14.30 by producing and selling 6,000 pieces or 60% of the capacity. His cost of sales is

Direct material	Rs. 3.50
Direct wages	Rs. 1.25
Works overheads (50% fixed)	Rs. 6.25
Sales overheads (25% variable)	Rs. 0.80

During the current year, he intends to produce the same number but anticipates that fixed charges will go up by 10% which direct labour rate and material will increase by 8% and 6% respectively but he has no option of increasing the selling price. Under this situation, he obtains an offer for further 20% of the capacity. What minimum price you will recommend for acceptance to ensure the manufacturer an overall profit of Rs.16,730.

16. What is Pareto Analysis? Name some applications.

17. Calculate labour mix variance from the following data:

Budgeted Labour Force:

80 Skilled workers @ Rs.225 per month & 160 Semi-skilled workers @ Rs. 200 per month

Actual Labour Force

120 Skilled workers @ Rs. 240 per month & 180 Semi-skilled workers @ Rs. 225 per month.

Due to shortage of skilled workers, it was decided to reduce skilled workers by 10% and increase semi-skilled workers by 5%.

18. Division A is profit center which produces three products X, Y and Z. Each product has an external market.

Products	X (Rs)	Y (Rs)	Z (Rs)
External market price /unit	48	46	40
Variable cost of production in Division A	33	24	28
Labor hours required per unit in division A	3	4	2

Product Y can be transferred to division B, but the maximum quantity that might be required for transfer is 300 units of Y. The maximum external sales are; X 800 units, Y 500 units, Z 300 units. Instead of receiving transfers of product Y in division A, division B could buy similar product in the open market at a slightly cheaper price of Rs 45/unit.

What should be the transfer price be for each unit for 300 units of Y, if total labour hours available in division A is 5600 hours?

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. A Company produces three products P ,Q and R for which the standard cost per unit and quantities produced are as under

Particulars	P	Q	R
Units produced and Sold	36,000	48,000	96,000
Direct Material Cost Per Unit (Rs.)	60	48	45
Direct Labour Cost Per Unit (Rs.)	30	24	18
Machine Hours per unit (hours)	0.50	0.40	0.30

The total Production overhead is absorbed on Machine Hour basis. The rate is Rs.60 per machine hour.The Company has analysed its operations and determined that five activities act as cost drivers for overheads .Data relating to five activities are given below.

Activity Area	Cost Driver	Cost of each activity as % of total production overhead cost
Store receiving	Number of requisitions	25 %
Machine set up	Number of Set ups	20 %
Machine running	Machine Hours worked	25 %
Packing	Packing Time in Hours	16 %
storage	Area in Square metres	14 %

The investigation into the production overhead activities for the period revealed the following

Activity	P	Q	R
Number of Requisitions	1,200	1,500	3,900
Number of Machine set ups	60	120	320
Packing Hours	3,000	4,800	10,200
Storage (Square Metres)	10,800	12,000	19,200

Required:

1. Calculate Total Production Overheads.

2. Prepare product cost statement showing cost per unit under traditional absorption costing method.
3. Calculate Cost Driver Rates.
4. Prepare product cost statement showing cost per unit under Activity Based Costing method.
5. What is the difference between in costs due to adoption of traditional Absorption Costing Method and Activity Based Costing Method?

20. A company manufactures three components. These components pass through two of the company's departments P and Q. the machine hour capacity of each department is limited to 6000 hours in a month. The monthly demand for components and cost data are as under:

Components	A	B	C
Demand (units)	900	900	1350
	Rs	Rs	Rs
Direct Material/units	45	56	14
Direct labour/units	36	38	24
Variable Overheads/unit	18	20	12
Fixed overheads P @ Rs 8 per hour	16	16	12
Q @ RS 10 per hour	30	30	10
Total	145	160	72

Components A and C can be purchased from market at RS 129 each and Rs70 each respectively.
You are required to prepare a statement to show which of the components in what quantities should be purchase to minimize the cost.

21. Standard Chemical Company Ltd. produces a certain chemical. The standard material cost being:40% material X at Rs. 45 per Kg.
60% material Y at Rs. 120 per Kg.
A standard loss of 10% is expected in production.
During January 200 Kg of material X and Y were mixed. 84 Kg material X at Rs. 46 per Kg. and 116 Kg material Y at Rs. 118 per Kg and produced 182 Kg of chemical.
Calculate the following variance for the month:
i) Material Cost Variance, ii) Material Usage Variance, iii) Material Yield Variance

22. "Transfer pricing is a widely debated and contested topic". Discuss

(2×5=10 weightage)