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Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, AUGUST 2022

Fourth Semester

Core - CM010401 - ADVANCED COST AND MANAGEMENT ACCOUNTING

M.Com FINANCE AND TAXATION, M.Com FINANCE AND TAXATION (SF), M.Com MARKETING AND INTERNATIONAL BUSINESS, M.Com MANAGEMENT AND INFORMATION TECHNOLOGY

2019 ADMISSION ONWARDS

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Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

Weight 1 each.

1. What are limitations of traditional methods of Cost allocation?
2. Does Activity Based Costing helps in Decision Making? How?
3. Activity Based Cost Management is helpful for Cost Reduction. Do you agree? State the reasons.
4. State the assumptions underlying cost-volume profit analysis.
5. List the various uses of P/V ratio.
6. What do you mean by shut down point? How shut down point is determined?
7. In what circumstances can penetration pricing policy be adopted?
8. Distinguish between standard cost and estimated cost.
9. From the following information, calculate Material Yield Variance:

	Standard		Actual	
	Quantity (units)	Price	Quantity (units)	Price
A	80	5	60	4.50
B	70	9	90	8.00
	150		150	

There is a standard loss of 10%. Actual yield is 125 units.

10. ABC Limited fixes the inter-divisional Transfer prices for its products on the basis of cost plus a return on





investment in the division. The budget for division Z for 2019-20 appears as under:

Fixed Assets: Rs. 5, 00,000

Current Assets: Rs. 3, 00,000

Debtors: Rs. 2, 00,000

Annual fixed cost of the division: Rs. 8, 00,000

Variable cost per unit of product: Rs. 10

Budgeted volume- 4, 00,000 units per year

Desired R.O.I 28%

Calculate the transfer price for division Z

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight 2 each.

11. Discuss the various pre-requisites for successful implementation of Activity Based Costing.
12. How Activity Based Management helps in improving efficiency and profitability of operations ?
13. You are given the following data:

	Sales	Profit
Year 2020	1,20,000	8,000
Year 2021	1,40,000	13,000

Find out : i) P/V ratio, ii) BEP, iii) Profit when sales are Rs 1,80,000, iv) Sale required to earn a profit of Rs 12,000 and v) MOS in 2021

14. Explain differential cost analysis.
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. How price is determined under incremental pricing method?





17. From the following particulars calculate (i) Labour Cost Variance (ii) Labour Rate Variance

(iii) Labour Efficiency Variance.

Standard hours specified	250
Standard rate of wages	Rs. 40/hr
Actual hours worked	240
Actual rate of wages paid	Rs. 42 / hr.

18. Green limited which has a system of assessment of Divisional performance on the basis of Residual Income has two divisions Alpha and Beta. Alpha has annual capacity to manufacture 15 lakh numbers of a special component which it sells to outside customers; but has idle capacity. The budgeted Residual Income of Beta is Rs.120 lakhs, while that of Alpha is Rs 100 lakhs. Other relevant details extracted from the budget of Alpha for the year are; Sales(to outside customers) 12 lakhs units @ Rs 180/unit; Variable cost /unit Rs 160; Divisional Fixed Cost Rs 80 lakhs; Cost of Capital 12%; Capital employed Rs 750 lakhs. Beta has just received a special order for which it requires components similar to the ones made by Alpha. Fully aware of Alpha's unused capacity, Beta as asked Alpha to quote for manufacture and supply of 3 lakh number of the components with a slight modification during final processing. Alpha and Beta agree that this will involve an extra variable cost of Rs 5/unit. 1) Calculate the transfer price, which Alpha should quote to Beta to achieve its budgeted Residual Income.2) Indicate the circumstances in which proposed transfer price may result in a sub-optimal decision for the green limited as a whole.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.

19. Astar Auto comp Ltd. Manufactures and sells two automobile components A and B. Both are identical with slight variation in design. Although the market for both the products is the same, the market share of the company for product A is very high and that of product B very low. The company's accountant has prepared the following profitability statement for the two products Cost of production: (same for both the products)

	Product A	Product B	Total
Quantity Sold (No.)	1,24,000	23,150	1,47,150
Unit sale price (Rs.)	300	290	
Total sales realisation(Rs.)			4,39,13,500
Cost of sales as above(Rs.)			4,13,49,150
Margin (Rs.)			25,64,350

The company's marketing manager, after attending a workshop on activity-based costing challenges the accountant's figures. The nearest competitor's prices for the two products are Rs. 330 and Rs.275 per unit respectively and, if the company can match the competitor's prices, it can sell 75,000 nos. each of the two





products. The Production Manager confirms that he can produce this product mix with the existing facilities. The management engages you as consultant, and the following facts have been identified by you:

- (a) Product A undergoes 5 operations and product B undergoes two operations by sub-contractors, although the total subcontract charges are the same for both the products, and
 - (b) 75% of the overheads is accounted for by three major heads relating to sub-contracting operations, viz., ordering, inspection and movement of components, to and from the sub-contractor's works.
- Prepare a revised profitability statement to find out if the marketing manager's proposal is viable.

20. A company is at present working at 90 per cent of its capacity and producing 13,500 units per annum. It operates a flexible budgetary control system. The following figures are obtained from its budget.

	90%	100%
	Amount (Rs.)	Amount (Rs.)
Sales	15,00,000	16,00,000
Fixed expenses	3,00,500	3,00,600
Semi-fixed expenses	97,500	1,00,500
Variable expenses	1,45,000	1,49,500
Units made	13,500	15,000

Labour and material costs per unit are constant under present conditions. Profit margin is 10 per cent.

1. You are required to determine the differential cost of producing 1,500 units by increasing capacity to 100%
2. What would you recommend for an export price for these 1,500 units taking into account that overseas prices are much lower than indigenous prices?

21. The following data pertains to a company which uses standard marginal costing for manufacture and sales of a single product during the year.

Particulars	Budget	Actual
Sales (in units)	60,000	66,000
Sales (Rs.)	1,80,00,000	2,14,50,000
Direct materials (Rs.)	28,80,000	36,30,000
Direct Labour (Rs.)	43,20,000	52,80,000
Variable Overheads (Rs.)	72,00,000	81,84,000
Total Variable Cost (Rs.)	1,44,00,000	1,70,94,000

Additional information is as follows:

	Standard	Actual
Direct material price per kg	Rs.12	Rs.11
Direct labour rate per hour	Rs.9	Rs.10





Calculate possible material and labour variances.

22. "An action that is optimal for a division may not optimal for the company as a whole". Explain

(2×5=10 weightage)

