



QP CODE: 24018499



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Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, APRIL 2024

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 (SF), M.Com MANAGEMENT AND INFORMATION TECHNOLOGY (SF)

2019 ADMISSION ONWARDS

06456D19

Time: 3 Hours

Weightage: 30

Instructions: (Applicable for **Private Registration, 2020 Admission Onwards**) This question paper contains two sections. Answer section I questions in the answer book provided. Section II Internal examination questions must be answered in the question paper itself. Follow the detailed instructions given under section II.

SECTION I

Part A (Short Answer Questions)

Answer any **eight** questions.

Weight **1** each.

1. Write a short note on batch level activities and unit level activities.
2. What is Activity Based Cost Management .
3. The following information relates to a Company ordering Activity for the period

Particulars	Budget	Actual
Output	20,000 Units	21,000 Units
Activity Level	4,000 Orders	3,600 Orders
Activity Cost	Rs.1,80,000	Rs.1,68,000

Calculate Overhead Rate Variance and the Overhead Efficiency Variance for the Ordering Activity.

4. Distinguish between contribution and profit.
5. Write a short note on profit volume graph.
6. Write a short note on different types of shut down cost.





7. Write a short note on the concept of administered price.
8. State the importance of variance analysis.
9. From the following information, calculate Material Mix Variance:

Materials	Standard		Actual	
	Quantity (units)	Price per unit Rs.	Quantity (units)	Price per unit Rs.
A	40	10	50	12
B	60	5	50	8

10. What do you mean by transfer price?

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight 2 each.

11. What are the limitations of Activity Based Costing?
12. Explain the various types of analysis involved in activity based management.
13. "Break even analysis is fundamentally a static analysis". Evaluate this statement.
14. The operating statement of a company is as follows:

Sales (80,000 @ Rs.15 each) Rs. 12,00,000

Costs:

Variable:	(Rs.)
Material	2,40,000
Labour	3,20,000
Overheads	1,60,000
Total Variable Cost	7,20,000
Fixed Cost	3,20,000

The capacity of the plant is 1 lakh units. A customer from U.S.A. is desirous of buying 20,000 units at a net price of Rs.10 per unit. Advice the producer whether or not offer should be accepted. Will your advice be different, if the customer is local one.

15. Prompt Printers Ltd., use a scheme of pricing based on cost plus. All the overheads are charged based on direct labour and based on the total cost arrived at, the selling price is fixed.
Following figures are from the Annual Budget for 2021 prepared by the company.

Sales	10,00,000
Direct Labour	3,20,000





Direct Materials	1,80,000
Factory Superintendent's salary	30,000
Advertisement	20,000
Depreciation on assets	30,000
Administration expenses	90,000
Commission paid on sales (5%)	50,000
Foreman's salaries	60,000
Insurance	10,000
Variable Factory	Misc. supplies 10,000
Cost	Repairs & Maintenance 60,000
	Tools consumed 40,000

The company has submitted a tender quoting Rs 10,000 on a large order with a cost of Rs 1800 Direct Materials and Rs 3,200 Direct Labour. The customer strikes the business at Rs 8900 on a take it or leave it basis. If the company accepts the order, the total sales for 2020 would be Rs 10,08,900. The company is reluctant to accept the order as it would be against its policy of accepting an order below cost. Write a note recommending the acceptance of the order, substantiating your recommendation fully with supporting figures to explain that the price offered would not be below cost and a sizeable profit also would be made. Also comment on the pricing policy of the company.

16. What is penetrating pricing? What are the circumstances in which this policy can be adopted?
17. In a manufacturing concern, the standard time fixed for a month is 8,000 hours. A standard wage rate of Rs. 2.25 per hour has been fixed. During one month, 50 workers were employed and average working days in a month are 25. A worker works for 7 hours in a day. Total wage bill of the factory for the month amounts to Rs. 21,875. There was a stoppage of work done to power failure (idle time) for 100 hours. Calculate various labour variances.
18. Explain the impact of transfer prices on the divisions.

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. Excel Ltd. is the leading manufacturer and exporter of High Quality leather products –Product A and Product B
Selling price per unit of Product A and Product B is Rs.620 and Rs.420 respectively.
Both the products pass through three process-Tanning, Dyeing and Finishing during manufacturing process
.Allocation of costs per unit of leather products manufactured among the processes are given below,

Particulars	Tanning	Dyeing	Finishing	Total
Direct Materials per unit	140	180	140	460
Direct Labour per unit	90	120	90	300





Cost allocation to Product A	70 %	50 %	70 %
Cost allocation to Product B	30 %	50 %	30 %

General overheads per unit of leather products manufactured are Rs.230 which is allocated equally between Product A and Product B. Above cost allocation is the basis for the decisions regarding pricing of the products. The management of the company is worried about the environmental impact caused by the company during its manufacturing process. It has taken initiative to preserve the environment like research and developmental activities aimed at reducing pollution level, planting trees ,treatment of harmful gases and airborne emissions ,waste water treatment etc.

The Management of the company desires to adopt Environment Management Accounting as a part of Strategic decision making process. Pricing of products should also factor in environmental cost generated by each product,

General Overheads per unit of leather products manufactured are Rs.230 which includes

Treatment cost of harmful gases	Rs.80
Wastewater treatment cost	Rs.100
Cost of Planting trees	Rs.20

Process wise information related to generation of wastewater and harmful gases is given below:

Activity	Tanning	Dyeing	Finishing	Total
Wastewater generated (litres per week)	900	600	0	1500
Emission of Harmful Gases(cc per week)	400	300	100	800
Cost Allocation to Product A	70 %	50 %	70 %	
Cost Allocation to Product B	30 %	50 %	30 %	

The Remaining overheads cost and Cost of planting trees can be allocated equally between Product A and Product B

Required :

1. Calculate product wise profitability based on Original cost Allocation
2. Recalculate the product wise profitability based on activity based costing (Environment Driven Costs)
3. Analyse the difference in product profitability as per both methods.

20. The management of a company is thinking whether it should drop one item from the product line and replace it with another. Given below are present cost and output data:

Product	Price	VC per unit	% of sales
Book shelf	60	40	30%
Table	100	60	20%
Bed	200	120	50%

Total FC per year Rs 7,50,000 and Sales Rs 25,00,000

The change under consideration consists in dropping the line of tables and adding the line of cabinets. If this change is made the manufacturer forecasts the following cost and output data:





Product	Price	VC per unit	% of sales
Book shelf	60	40	50%
Cabinets	160	60	10%
Bed	200	120	40%

Total FC per year Rs 7,50,000 and Sales Rs 26,00,000

Should this proposal to be accepted? Comment

21. Standard labour hours and rate of production of Article A is given below:

Workers	Hrs.	Rate/hr.	Total
Skilled workers	5	15	75
Unskilled workers	8	5	40
Semi-skilled workers	4	7.5	30
			145

Articles produced 1,000 units:

Workers	Hrs.	Rate/hr.	Total
Skilled workers	4,500	20	90,000
Unskilled workers	10,000	4.5	45,000
Semi-skilled workers	4,200	7.5	31,500
			1,66,500

Calculate: a) Labour Cost Variance, b) Labour Rate Variance, c) Labour Efficiency Variance, d) Labour Mix Variance

22. Transferor Ltd. has two processes Preparing and Finishing. The normal output per week is 7,500 units (Completed) at a capacity of 75% Transferee Ltd. had production problems in preparing and requires 2,000 units per week of prepared material for their finishing processes.

The existing cost structure of one prepared unit of Transferor Ltd. at existing capacity

Material Rs. 2.00 (variable 100%)

Labour Rs. 2.00 (Variable 50%)

Overhead Rs. 4.00 (variable 25%)

The sale price of a completed unit of Transferor Ltd is Rs.16 with a profit of Rs.4 per unit.

Construct the effect on the profits Transferor Ltd., for six months (25 weeks) of supplying units to Transferee Ltd. With the following alternative transfer prices per unit:

(i) Marginal Cost

(ii) Marginal Cost + 25%

(iii) Marginal Cost + 15% Return on capital (assume capital employed Rs.20 lakhs)

(iv) Existing Cost

(v) Existing Cost + a portion of profit on the basis of (preparing cost / Total Cost) x Unit Profit

(vi) At an agreed market price of Rs.8.50. Assume no increase in fixed cost.

(2×5=10 weightage)

