



QP CODE: 23004351



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Reg No :

Name :

M.Com DEGREE (CSS) EXAMINATION, JUNE 2023

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

24446D20

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. Write a short note on Cost Object.

2.

A company manufactures and sells packaging machines. The company recently introduced activity -based costing to refine its existing system. Each packaging machine requires direct materials costing Rs. 60,000; 60 equipment parts; 13 machine hours; 14 assembly line hours and 5 inspection hours. The details about the cost pools, allocation basis and allocation rate are given below:

Indirect Cost Pool	Cost allocation Basis	Budgeted Allocation rate
Material handling	No. of component parts	Rs. 8 per part
Machining	Machine hours	Rs. 70 per machine hour
Assembly	Assembly line hours	Rs. 80 per assembly hours
Inspection	Inspection hours	Rs. 100 per inspection hour

The company has received an order for 50 can -packaging machines from a customer. Using activity -based costing, what will be the indirect costs allocated to the order of the customer.

3. State various benefits of Activity Based Cost Management.

4. What is angle of incidence?





5. You are given the following data:

Sales Profit

Year 2020 1,10,000 9,000

Year 2021 1,40,000 13,000

Find out :

1. P/V ratio
2. BEP

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 required to calculate selling price per unit assuming a) P/V ratio remains the same and b) variable cost proportion is constant if break even point is to be brought down by 4,000 units.

7. Enumerate the circumstances which are favourable for the adoption of a penetrating pricing policy.

8. Calculate Material Cost Variance

The standard and actual figures of product 'z' are as under:

	Standard	Actual
Material quantity	50 units	45 units
Material price per unit	Rs. 1.00	Rs.0.80

9. What is labour yield variance?
10. What are the goals of a 'transfer pricing system' in an organisation?

(8×1=8 weightage)

Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. Explain the applications of activity based management in business.
12. Summarise various processes in Activity Based Budgeting .
13. Your company has a production capacity of 2,00,000 units per year. Normal capacity utilization is reckoned as 90%. Standard variable production cost are Rs 11 per unit. The fixed cost are Rs 3,60,000 per year. Variable selling cost are Rs 3 per unit and fixed selling cost are Rs 2,70,000 per year. The unit selling price is Rs 20. In the year just ended on 30th June 2005, the production was 1,60,000 units and sales were 1,50,000 units. The closing inventory on 30th June was 20,000 units. The actual variable production cost for the year were Rs 35,000 higher than the standard.
1. Calculate the profit for the year by absorption costing method and marginal costing method.
 2. Explain the difference in the profits.





14. A company wants to buy a new machine to replace to replace one which is having frequent break downs. It received orders for two models M1 and M2. Further details regarding these models are given

Details	M1	M2
Installed Capacity	10,000	10,000
Fixed overheads per annum	2,40,000	1,00,000
Estimated profit at the above capacity	1,60,000	1,00,000

The product manufactured using this type of machine (M1 and M2) is sold at Rs 100 per unit. You are required to determine

1. Break-even level of sales for each model.
 2. The level of sales at which both the models will earn the same profit.
 3. The model suitable for different levels of demand for the product.
15. What is price discrimination ? Under what circumstances it is possible?
16. Explain the objectives of the concept of administered prices.
17. Explain the preliminaries for establishing standard costing system.
18. A company is organized into two divisions, namely X and Y and produces three products A, B and C. Data per unit are:

	A	B	C
Market price (Rs)	240	230	200
Variable cost (Rs)	168	120	140
Direct Labor(hrs)	4	5	3
Maximum sales potential (units)	1600	1000	600

Division Y has a demand for 600 units of product B for its use. If division X cannot supply the requirement, division Y can buy a similar product from market at Rs.224/unit.

What should be the transfer price of 600 units of B for division Y, if the total direct labor hours available in division X are restricted to 15,000?

(6×2=12 weightage)

Part C (Essay Type Questions)

Answer any **two** questions.

Weight **5** each.

19. What is activity based costing ?What are its Characteristics ?How it differ from traditional Absorption Costing?





20. A Co. currently operating at 80% capacity has the following; profitability particulars:

Sales: Rs.12,80,000

Costs:

Direct Materials: Rs.4,00,000

Direct labour: Rs.1,60,000

Variable Overheads: Rs.80,000

Fixed Overheads: Rs.5,20,000

An export order has been received that would utilise half the capacity of the factory. The order has either to be taken in full and executed at 10% below the normal domestic prices, or rejected totally. The alternatives available to the management are given below:

- a) Reject order and Continue with the domestic sales only, as at present;
- b) Accept; order, split capacity equally between overseas and domestic sales and turn away excess domestic demand;
- c) Increase capacity so as to accept the export order and maintain the present domestic sales by:
 - (i) buying an equipment that will increase capacity by 10% and fixed cost by Rs. 40,000 and
 - (ii) Work overtime at one and a half the normal rate to meet balance of required capacity.

Prepare comparative statements of profitability and suggest the best.

21. A factory manufactures a chemical product with three ingredient chemicals A, B and C as per standard data given below;

Chemical	Percentage of Input	Cost per Kg
A	50%	Rs. 40
B	30%	Rs. 60
C	20%	Rs. 95

There is processing loss of 5 % .

The management gives the following details for a certain week;

Chemical Consumed	Qty Purchased and Issued	Actual Cost
A	5,200 kgs	2,34,000
B	3,600 kgs	2,19,600
C	1,700 kgs	1,58,100

Output of finished product: 10,200 kg.

Calculate all relevant variances.

22. A company is a multidivisional company and its managers have been delegated full profit responsibility and complex autonomy to accept or reject transfers from other divisions. Division A produces a sub-assembly with a ready competitive market. This sub-assembly is currently used by Division B for a final product that is sold outside at Rs. 1200. Division A charges, Division B market price for the sub-assembly which is Rs. 700 /unit. Variable costs are Rs. 520 and Rs. 600 for Divisions A and B respectively.

The managers of Division B feels that Division A should transfer the sub-assembly, at a lower price than market because at this price, Division B is unable to make a profit.

Required:





1. Compute Division B's profit contribution if transfers are made at the market price and also the total contribution to profit for the company.
2. Assume that Division A can sell all its production in the open market. Should Division A transfer, goods to Division B? if so at what price?
3. Assume that Division A can sell in the open market only 500 units at Rs.700/unit out of 1000 units that it can produce every month and that a 20% reduction in price is necessary to sell full capacity. Should transfer be made if so how many unit should it transfer and at what prices?

(2×5=10 weightage)

