QP CODE: 23002922

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Reg No : .....

Name : .....

M COM DEGREE (CSS) EXAMINATION, MARCH 2023

Third Semester

Faculty of Commerce

Master of Commerce and Management

CORE - CM020301 - ADVANCED COST AND MANAGEMENT ACCOUNTING

2020 ADMISSION ONWARDS

C6BCF5E1

Time: 3 Hours

Weightage: 30

Part A (Short Answer Questions)

*Answer any **eight** questions.*

*Weight **1** each.*

1. What is Absorption Costing?
2. What is customer cost analysis ?
3. The following figures relate to a company

	Total sales	Total Cost
Year ended 31st dec 2016	39,00,000	34,80,000
Year ended 31st dec 2017	43,00,000	37,60,000

Calculate variable cost in 2016 and fixed cost

4. 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.
5. Write a short note on Productivity.
6. What do you mean by Value Analysis?
7. Differences between historical costing and standard costing
8. What is labour rate variance?

9. Why transfer prices are necessary in an organisation?

10. What is the importance of opportunity cost in transfer pricing?

(8×1=8 weightage)

Part B (Short Essay/Problems)

*Answer any **six** questions.*

*Weight **2** each.*

11. Explain steps involved in implementation of Activity Based Costing.

12. How Activity Based Management helps in improving efficiency and profitability of operations ?

13. The following results of a company for the last two years are as follows:

Year	Sales	Profit
2020	Rs.1,50,000	Rs.20,000
2021	Rs.1,70,000	Rs.25,000

You are required to calculate:

1) P/V Ratio 2. B.E.P 3.The sales required to earn a profit of Rs. 40,000

4. Profit when sales are Rs. 2,50,000 5. Margin of safety at a profit of Rs. 50,000 and

6. Variable costs of the two periods.

14. British Cadbury Soft Drink Company is planning to establish a subsidiary company in India to produce mineral water. Based on the estimated annual sales of 40,000 bottles of the mineral water, cost studies produced the following estimates for Indian subsidiary:

	Total annual cost	% of total annual cost that is variable
Material	1,93,600	100%
Labour	90,000	70%
OH	80,000	64%
administration	30,000	30%

The Indian production will be sold by manufacturer's representatives who will receive a commission of 8% of the sale price. No portion of the British Office expense is to be allowed to the Indian Subsidiary. It is required to :

1. Compute the sale price per bottle to enable management to realize an estimated 10% profit on sale proceeds in India.
2. Calculate the BEP in rupee sale for the Indian Subsidiary on the assumption that the sale price is Rs 11per bottle.

15. Give the format of value added statement in Account form.

16. Explain the term variance.Distinguish between controllable and uncontrollable variances.

17. The standard quantity of material and standard price per Kg.of material required for the production of one unit of product P is as follows:

Material	5 Kg
Standard Price	Rs. 15/kg

The actual production and related material data are as follows:

Product P	400 units
Materials used	2,200 kgs.
Price of materials	Rs. 14.40

Calculate :

a) Material Cost Variance b)Material Usage Variance c) Material Price Variance.

18. AB Cycles Ltd. has 2 divisions, A and B which manufacture bicycle. Division A produces bicycle frame and Division B assembles rest of the bicycle on the frame. There is a market for sub-assembly and the final product. Each division has been treated as a profit centre. The transfer price has been set at the long-run average market price. The following data are available to each division:

Estimated selling price of final product:Rs. 3,000 p.u.

Long run average market price of sub-assembly: Rs. 2,000 p.u.

Incremental cost of completing sub-assembly in division B:Rs. 1,500 p.u.

Incremental cost in Division A:Rs. 1,200 p.u.

Required:

1. If Division A's maximum capacity is 1,000 p.m. and sales to the intermediate are now 800 units, should 200 units be transferred to B on long-term average price basis.
2. What would be the transfer price, if manager of Division B should be kept motivated?
3. If outside market increases to 1,000 units, should Division A continue to transfer 200 units to Division B or sell entire production to outside market?

(6×2=12 weightage)

Part C (Essay Type Questions)

*Answer any **two** questions.*

*Weight **5** each.*

19. Traditional Ltd. is a manufacturer of a range of goods. The cost structure of its different products is as follows:

Particulars	**Product A**	**Product B**	**Product C**
Direct materials (Rs./ Unit)	50	40	40
Direct labour @ Rs. 10 Rs./hour (Rs./ Unit)	30	40	50
Production overheads (Rs./ Unit)	30	40	50
Total Cost (Rs./ Unit)	110	120	140
Quantity produced (No. of Units)	10,000	20,000	30,000

Traditional Ltd. was absorbing overheads on the basis of direct labour hours. A newly appointed management accountant has suggested that the company should introduce ABC system and has identified cost drivers and cost pools as follows:

Activity Cost Pool	Cost Driver	Associated Cost
Stores Receiving	Purchase Requisitions	2,96,000
Inspection	Number of Production runs	8,94,000
Despatch	Orders Executed	2,10,000
Machine Setup	Number of setups	12,00,000

The following information is also supplied:

Details	Product A	Product B	Product C
No. of Setups	360	390	450
No. of Orders Executed	180	270	300
No. of Production runs	750	1,050	1,200
No. of Purchase Requisitions	300	450	500

You are required to calculate activity based production cost of all the three products

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. Explain the various applications and advantages of value added statements.

22. The following data is taken out from the books of manufacturing concern:
Budgeted labour composition for producing 100 articles
20 Men @ Rs. 1.25 per hour for 25 hours

30 Women @1.10 per hour for 30 hours

Actual labour composition for producing 100 articles

25 Men @Rs. 1.50 per hour for 24 hours

25 Women @ Rs. 1.20 per hour for 25 hours

Calculate: i) Labour Cost Variance, ii) Labour Rate Variance, iii) Labour Efficiency variance, iv) Labour Mix Variance

(2×5=10 weightage)