

QP CODE: 23145030



Reg No :

Name :

M COM DEGREE (CSS) EXAMINATION, NOVEMBER 2023

Third Semester

Faculty of Commerce

Master of Commerce and Management

CORE - CM020301 - ADVANCED COST AND MANAGEMENT ACCOUNTING

2020 ADMISSION ONWARDS

CC9EBCCA

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. From the following information calculate Cost driver rate for each activity

Activity	Estimated annual cost driver	Activity Estimated Overhead Cost
Purchasing Materials	20,000 Requisitions	Rs.12,00,000
Setting up of Machines	4000 set ups	Rs.16,00,000
Running Machines	180000 hours	Rs.27,00,000
Assembling products	500000 hours	Rs.15,00,000
Inspection	40,000 hours	Rs.10,00,000
3. State the assumptions underlying cost-volume profit analysis.
4. A firm incurs a fixed cost of Rs.1,20,000 at 60% capacity. At 0% capacity, fixed cost is only Rs.40, 000. If its VC Ratio is 80%, find out the Shutdown point.
5. Is there any relationship between productivity and profitability? Substantiate your answer.
6. Write a short note on Cost Reduction.
7. Differences between standard costing and marginal costing.
8. What is material price variance?
9. What do you mean by transfer price?
10. What do you mean by two part transfer pricing system?

(8×1=8 weightage)



Part B (Short Essay/Problems)

Answer any **six** questions.

Weight **2** each.

11. A Company Manufactures Two products A and B using Common facilities .The following cost data for a month are presented to you

Particulars	A	B
Units Produced	1000	2000
Direct Labour Hours Per Unit	2	3
Machine Hours Per Unit	6	1.5
Set up of machines	15	50
Orders	18	70

Overhead cost relating to the products is

Machine	Activity	Rs.3,00,000
Expenses		
Set Up Related Expenses		Rs.30,000
Expenses Relating to		
Orders		Rs.35,000

Calculate the overheads per unit absorbed using Activity Based Costing Approach.

12. What are the advantages and disadvantages of Activity based Budgeting ?
13. "Break even analysis is fundamentally a static analysis". Evaluate this statement.
14. What is profit volume graph? Explain how it is drawn? What are the important limitations?
15. Explain the different types of value related to value analysis.
16. Explain the preliminaries for establishing standard costing system.
17. The standard and actual data for the product A is given as under. Calculate (i) Labour Cost Variance (ii) Labour Rate Variance and (iii) Labour Efficiency Variance. Standard hours 40@ Rs. 20 per hrs and Actual hours 45@ Rs. 22 per hrs.
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. Alpha Ltd has decided to analyse the profitability of its five new customers .it buys bottled water at Rs.90 per Case and sells to retail customers at a list price of 108 per case. The data pertaining to five customers are

Particulars	Customers				
	A	B	C	D	E
Cases Sold	4,680	19,688	1,36,800	71,550	8,775
List Selling Price	Rs.108	Rs.108	Rs.108	Rs.108	Rs.108
Actual Selling Price	Rs.108	Rs.106.20	Rs.99	Rs.104.40	Rs.97.20
Number of Purchase Orders	15	25	30	25	30
Number of Customer Visits	2	3	6	2	3
Number of Deliveries	10	30	60	40	20
Kilometres Travelled per Delivery	20	6	5	10	30
Number of Expedited Deliveries	0	0	0	0	1

Its five activities and their cost drivers are

Activity	Cost Driver Rate
Order Taking	Rs.750 per Purchase order
Customer Visits	Rs.600 per Customer Visit
Deliveries	Rs.5.75 per delivery KM travelled
Product Handling	Rs.3.75 per case sold
Expedited deliveries	Rs.2,250 per expedited delivery

Required :

1. Compute the Customer level operating Income of each of five retail customers now being examined (A,B,C,D and E)comment on results
2. What insights are gained by reporting both the list selling price and the actual selling price for each customer?
3. What factors Alpha Ltd should consider in deciding whether to drop one or more of five customers?

20. The following particulars are extracted from the records of a company:

		PRODUCT A	PRODUCT B
Sales	(Rs.)	100	120
Consumption of material		2 Kg	3 Kg
Material cost	(Rs.)	10	15
Direct wages cost	(Rs.)	15	10
Direct expenses	(Rs.)	5	6
Machine hours used		3 Hrs	2 Hrs
Overhead expenses:			
Fixed	(Rs.)	5	10
Variable	(Rs.)	15	20

Direct wages per hour is Rs. 5

1. Comment on profitability of each product (both use the same raw material) when :
 1. Total sales potential in units is limited;
 2. Total sales potential in value is limited;
 3. Raw material is in short supply;
 4. Production capacity (in terms of machine hours) is the limiting factor.
2. Assuming raw material as the key factor, availability of which is 10,000 kgs. and each product cannot be sold more than 3,500 units find out the product mix which will yield the maximum profit.

21. Explain the various methods of calculating value added.

22. From the following record of AB Ltd, compute material and labour variances:

An input of 100 kgs. of materials yields a standard output of 10,000 units.

Standard price per kg of material: Rs.20 per kg.

Actual quantity of materials issued and used by the production department 10,000 kgs.

Actual price per kg of material: Rs.21 per kg.

Actual output: 9,00,000 units

Number of employees: 200

Standard wage rate per employee per day: Rs.40

Standard daily output per employee: 100 units

Total number of days worked: 50 days

Actual wage rate per day: Rs.45

Idle time paid or and included in the above half day for each employee.

(2×5=10 weightage)