

M. COM DEGREE END SEMESTER EXAMINATION - MARCH 2024**SEMESTER 4 : COMMERCE****COURSE : 21P4COMT16EL - ADVANCED COST ACCOUNTING***(For Regular - 2022 Admission and Supplementary - 2021 Admission)*

Duration : Three Hours

Max. Weights: 30

PART A**Answer any 8 questions****Weight: 1**

1. State the reasons for the late development of Target Costing. (U)
2. Identify five types of wastages which can be eliminated by adopting Kaizen. (U)
3. Describe four levels of cost hierarchy. (U)
4. What is Differential Costing? (U)
5. What is variance? (U)
6. What is current standard? (U)
7. Given: Sales 10,000 units; variable cost Rs.1,00,000; sales value Rs.2,00,000; Fixed cost Rs.40,000; Selling price per unit Rs.20. You are required to find out (a) Break-even volume and (b) Break-even sales units. (A)
8. What do you mean by transfer price? (U)
9. Why is Life Cycle Costing used? (U)
10. What do you understand by cost drivers and cost pools? (U)

(1 x 8 = 8)**PART B****Answer any 6 questions****Weights: 2**

11. What are the importance of product life cycle? (U)
12. What is profit-volume graph? Explain how its is drawn? What are its important limitations? (An)
13. Division A of a manufacturing company has set a target sales of 4,00,000 units of a product at a price to fetch a return of 25% on the assets employed. The following data are available:

Fixed costs	Rs 8,00,000
Variable costs per unit	Re 1
Assets employed:	
Fixed Assets	Rs 8,00,000
Current assets	Rs 16,00,000

The market can, however, absorb only 2,80,000 units. Consequently, Division B is advised to buy 1,20,000 units. Division A is willing to supply this quantity to Division B at Rs 4.50 per unit. Division B however wants it at Rs 2.25 per unit. If 'A' refuses to supply 'B' its requirement of 1,20,000 units at Rs 2.25 per unit and restricts its activities to 2,80,000 units of market sale, it could reduce the investments in stocks to the tune of Rs 1,60,000 and the fixed assets by Rs 2,40,000. Besides, its selling expenses will also go down by Rs 80,000.

You are required to prepare statements and advise whether A should agree to supply B's requirement of 1,20,000 units at Rs 2.25 per unit.

(A)

14. The Cost details of a product is given as under:

Direct materials		5.00
Direct Wages		3.00
Factory overhead :		
Fixed	0.50	
Variable	0.50	1.00
Administrative expenses		0.75
Selling and Distribution Overhead:		
Fixed	0.25	
Variable	0.50	0.75
Total		10.50

(A)

The selling price per unit is Rs. 12.

The above figures are for an output of 50,000 units, the capacity for the firm is 65000 units. A foreign customer is desirous of buying 15000 units at a price of Rs. 10 per unit. Advise the manufacture whether the order should be accepted. What will be your advice if the order were from a local merchant?

15. Explain the significance of standard costing as a technique of cost control. (E)

16. From the following particulars calculate:

- (a) Material Cost Variance
- (b) Material Price Variance
- (c) Material Usage Variance
- (d) Material Mix Variance

The Standard Mix of Product is :

X 300 Units at Rs. 7.50 per unit

Y 400 Units at Rs. 10 per unit

Z 500 Units at Rs. 12.50 per unit

The Actual Consumption was:

X 320 Units at Rs. 10 per unit

Y 480 Units at Rs. 7.50 per unit

Z 420 Units at Rs. 15 per unit

(A)

17. XYZ Ltd. Manufactures four products A, B, C and D, whose data are given below:

Particulars	A	B	C	D
Direct Materials (Rs.)	3,000	6,000	9,000	18,000
Direct labour (Rs.)	1,500	3,000	4,500	9,000
Direct labour hours	50	100	150	300
Machine hours	30	15	10	5

(A)

You are required to prepare a statement showing the allocation of factory overheads (which amounted to Rs. 1,08,000) using the basis of allocation as under:

- a) Direct Materials
- b) Direct labour
- c) Direct labour hours
- d) Machine hours

Out of these four bases of allocation, which you prefer and why?

18. "Transfer pricing is a widely debated and contested topic". Discuss.

(An)

(2 x 6 = 12)

PART C
Answer any 2 questions

Weights: 5

19. From the following informations calculate (a) Calendar Variance (b) Capacity Variance (c) Efficiency Variance and (d) Volume Variance:

Actual Overheads Rs. 1,800
Budgeted Overheads Rs. 2,000
Budgeted period 4,000 labour hours
Standard hours per unit 10 labour hours
Budgeted number of days 20
Standard overhead per hour Re. 0.50
Actual number of days 22
Actual hours 4,300
Actual production 425 units.

(A)

20. G.S.F.D.C. Ltd. produces and sells four products A, B, C and D. These products are similar and usually produced in production runs of 10 units and sold in a batch of 5 units. The production details of these products are as follows:

Products	A	B	C	D
Production(units)	100	110	120	150
Cost per unit:				
Direct Material(Rs.)	30	40	35	45
Direct Labour(Rs.)	25	30	30	40
Machine hour rate (per unit)	5	4	3	4

The production overheads during the period are as follows:

	Rs.
Factory (works) expenses	22,500
Stores receiving costs	8,100
Machine set-up cost	12,200
Cost relating to quality control	4,600
Material handling and despatch	9,600
	57,000

(A)

The cost drivers for these overheads are detailed below:

Costs	Cost drivers
Factory (works) expenses	Machine hours
Stores receiving costs	Requisitions raised
Machine set-up cost	No. of production runs
Cost relating to quality control	No. of production runs
Material handling and despatch	No. of orders executed

The number of requisitions raised in the stores was 25 for each product and number of orders executed was 96, each order was in a batch of 5 units.

Required:

- Total cost of each product assuming the absorption of overheads on machine hour basis.
- Total cost of each product assuming the absorption of overheads by using activity based costing.
- Show the difference between i and ii and comment on it.

21. Akash Industries Ltd. has two divisions – P (production) and S (selling). P-Division produces an intermediate for which there is no external market. Using this intermediate, S-Division turns it to finished product – FM and sells in the market. Each unit of finished product consumes one unit of intermediate. The sales quantity is sensitive to the price charged and S (selling) Division has developed the following sales schedule:

Selling price per unit (Rs.)	500	450	400	350	300	250
Sales units	1000	2000	3000	4000	5000	6000

(A)

The cost details are as follows:

	P-Division	S-Division
Variable cost per unit (Rs.)	55	35
Fixed cost (Rs.)	300000	450000

The transfer price is Rs.175 based on the full cost basis.

Required:

- Prepare a profit statement showing the profits of both the departments separately and the company as a whole.
 - Determine the selling price that will maximize the S-Division's profit and the price that will maximize the company's profit.
22. Present the following information to show to the management.

- Marginal product cost and contribution per unit.
- The total contribution and profit resulting from each of the following sales mixture.
- The proposed sales mix to earn a profit of Rs. 250 and Rs.300 with total sales of A & B being 300 units.

Particulars	Product A	Product B
Direct material (per unit)	10	9
Direct wages (per unit)	3	2
Selling price (per unit)	20	15

(A)

Fixed expenses Rs.800

Variable expenses are allocated to product as 100% of direct wages

Sales mixture

- 100 units of product A and 200 units of product B
- 150 units of product A and 150 units of product B
- 200 units of product A and 100 units of product B

Recommend which of the following sales mixture should be adopted.

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
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Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;