Reg. No ..... Name **26P410**

M. COM DEGREE END SEMESTER EXAMINATION - MARCH 2026

SEMESTER 4 : COMMERCE

COURSE : **24P4COMT16EL : ADVANCED COST ACCOUNTING**

(For Regular 2024 Admission)

Time : Three Hours Max. Weights: 30

PART A

Answer any 8 questions **Weight: 1**

1. What is activity-based management? (R, CO 1)
2. What is efficiency variance? (U, CO 3)
3. What do you mean by negotiated price method of transfer pricing? (U, CO 4)
4. What is yield variance? (U, CO 3)
5. What is customer cost analysis? (U, CO 1)
6. What is Kaizen Cost? (U)
7. Selling price per unit Rs.12; variable cost per unit Rs.8; fixed cost Rs.40,000. Find out : a) Break-even sales units and value, b) profit when sales would be Rs.3,00,000, c) Margin of safety when sales are as in (b). (A, CO 2)
8. From the following figures, you are required to calculate a) P/V Ratio, b) Break-even sales volume, c) Margin of safety and d) Profit. Sales Rs.4,000; Variable cost Rs.2000; Fixed cost Rs.1,600. (A, CO 2)
9. What is Target Costing ? It is said that implementation of the target costing technique requires intensive marketing research. Explain why intensive marketing research is required to implement target costing technique. (U, CO 5)
10. What is Life Cycle Costing ? (U, CO 5)

(1 x 8 = 8)

PART B

Answer any 6 questions **Weights: 2**

11. In transfer pricing what is common conflict between a division and the company as a whole? (An, CO 4)
12. Chand Ltd furnishes you the following information relating to the year ended 30th June 2017.

	Rs
Fixed expenses	60,000
Sales	2,00,000
Profit	40,000

(A, CO 2)

During the second half, the company has projected a loss of Rs 20,000. Calculate:
a) Breakeven point and margin of safety for the six months ended 30th June 2017.
b) Expected sales volume for the second half of the year assuming that the P/V ratio and fixed expenses remain constant in the second half year
c) Breakeven point and margin of safety for the whole year.

13. How is Life Cost Analysis prepared, implemented and monitore ? (E, CO 5)
14. What is profit-volume graph? Explain how its is drawn? What are its important limitations? (An, CO 2)
15. The budgeted and actual sales of a concern manufacturing a single product are given below:
Sales as budgeted : 10,000 units at Rs. 3 per unit Rs. 30,000
Actual Sales: (A, CO 3)
5,000 units at Rs. 3 per unit Rs. 15.000
8,000 units at Rs. 2.50 per unit Rs. 20,000
Ascertain Sales Price Variance and Sales Volume Variance

16. The budgeted overheads and cost driver volumes of Neptune Ltd. are as follows:

Cost Pool	Budgeted overheads (Rs.)	Cost driver	Budgeted volume
Material procurement	2,90,000	No. of orders	550
Material handling	1,25,000	No. of movements	340
Setup	2,07,000	No. of setups	260
Maintenance	4,85,000	Maintenance hours	4,200
Quality control	88,000	No. of inspections	450
Machinery	3,60,000	No. of machine hours	12,000

(A, CO 1, CO 6)

The company has produced a batch of 2,600 components, its material cost was Rs. 1,30,000 and labour cost of Rs. 2,45,000. Usage activities of the said batch are as follows:

Material orders	26
Material movements	18
Maintenance hours	690
Set ups	25
Quality control inspection	28
Machine hours	1,800

Calculate:

a) Cost driver rates that are used for tracing appropriate amount of overheads to the said batch.

b) The cost of batch of component.

17. 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	Rs 1
Assets employed:	
Fixed Assets	Rs 8,00,000
Current assets	Rs 16,00,000

(A, CO 4)

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 activity 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.

18. How will you implement activity-based costing? (R, CO 1)

(2 x 6 = 12)

PART C

Answer any 2 questions **Weights: 5**

19. A company produces three products P,Q,and R for which the standard cost per unit and quantities produced are as under : (A, CO 1)

Products	P	Q	R
Units produced and sold	36000	48000	96,000
Direct material cost per unit (Rs.)	60	48	45
Direct labour cost per unit (Rs.)	30	24	18
Machine hour per unit (hours)	0.50	0.40	0.30

Total production overheads are absorbed on machine hour basis. The rate is 60 per machine hour .
The company has analysed it's Operations and determined that five activities acts as cost drivers for overheads, the details of which are given below:

Activity Area	Cost driver	Cost of each activity as a % of total production overhead cost
Stores receiving	No of requisitions	25
Machine set up	No of set up	20
Machine running	Machine hour worked	25
Packing	Time in hours	16
storage	Area is sq meter	14

The investigation for the period revealed the following:

Activity	P	Q	R
Number of requisition	1200	1500	3900
Number of machine setups	60	120	320
Packing hours	3000	4800	10200
Storage (sq. meters)	10,800	12000	19200

Required:
a) Calculate total production overheads.
b) Prepare product cost statement showing per unit cost under traditional absorption costing method.
c) Calculate the cost driver rates.
d) Prepare product cost statement showing per unit cost under activity based costing method.
e) What is the difference in cost due to adoption of traditional absorption costing method and activity based costing method.

20. BETAGRO Ltd which has a system of assessment of divisional performance on the basis of residual income has two divisions Alpha and Beta. Alpha has annual capacity to manufacture 15 lakh Nos of a special component which it sells to outside customers but has idle capacity. The budgeted residual income of Beta is ₹120 lakhs while that of Alpha is ₹100 lakhs. Other relevant details extracted from the budget of Alpha for the years are : (A, CO 4, CO 6)

Sales(to outside customers) at Rs.180 per unit	12,00,000 units
Variable cost per unit	Rs. 160
Divisional fixed cost	Rs. 80,00,000
Cost of capital	12%
Capital employed	Rs. 750 lakhs

Beta has just received a special order for which it requires components similar to the ones made by Alpha. Fully aware of Alpha's unutilized capacity Beta has asked Alpha to quote for manufacture and supply of 3,00,000 nos of the components with a slight modification during final processing. Alpha and

Beta agree that this will involve an extra variable cost of ₹5per unit
(i)Calculate the transfer price which Alpha should quote to Beta to achieve its budgeted residual income
(ii)Indicate the circumstances in which the proposed transfer price may result in a sub optimal decision for the BETAGRO group as a whole.

21. A company has a project to install a new machine exclusively for the manufacture of a new product which is expected to have good demand and reasonably high margin. Maximum possible annual sales may not exceed Rs.50 lakhs and if there is competition it may fall considerably. The company has obtained quotations and short listed two offers for the new machine. Details in respect of the two models are given below:

			(A,
Maximum possible sales per year	Rs.50 lakhs	Rs.50 lakhs	CO
Fixed costs per year	Rs.5 Lakhs	Rs.8 lakhs	2)
Estimated profit for maximum sales	Rs.15 lakhs	Rs.17 lakhs	

You are required to calculate:
a) Break-even sales of each machine
b) Sales at which both models will give the same profit
c) Range of sales over which one model is better than the other

22. The standard cost of a certain chemical mixture is:
Material P - 40% at Rs. 20 per tonne
Material Q - 60% at Rs. 30 per tonne (A,
A standard loss of 10% as expected in production. During a period there is used : CO
90 tonnes material P at the cost of Rs. 18 per tonne; 110 tonnes material Q at the cost of Rs. 35.4 per 3,
tonne. CO
The weight produced is 182 tonnes of good production. 6)
Calculate: (a) material cost variance, (b) material price
variance, (c) material mix variance and (d) material yield variance.

(5 x 2 = 10)

OBE: Questions to Course Outcome Mapping

CO	Course Outcome Description	CL	Questions	Total Wt.
CO 1	Apply Activity Based Absorption Methods instead of Conventional Absorption Method	A	1, 5, 16, 18, 19	11
CO 2	Identify the role of CVP Analysis and apply the marginal costing principles in decision making situations of businesses	An	7, 8, 12, 14, 21	11
CO 3	Understand the concepts of standard costing and managerial uses of variance analyses and apply cost control through it.	U	2, 4, 15, 22	9
CO 4	Deal with the Practical Issues Related to Transfer Pricing.	An	3, 11, 17, 20	10
CO 5	To know the application of cost control techniques like life cycle costing, target costing and Kaizen costing	An	9, 10, 13	4
CO 6	To learn about the higher application of cost accounting techniques, methods, and application of cost control techniques.	E	16, 20, 22	12

Cognitive Level (CL): Cr - CREATE; E - EVALUATE; An - ANALYZE; A - APPLY; U - UNDERSTAND; R - REMEMBER;