



QP CODE: 21001055



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Reg No : .....

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**M COM DEGREE (CSS) EXAMINATION, JULY 2021**

**Fourth Semester**

Faculty of Commerce

**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

CC736AD0

Time: 3 Hours

Weightage: 30

**Part A (Short Answer Questions)**

*Answer any **eight** questions.*

*Weight **1** each.*

1. What do you mean by Activity Based Costing?
2. Write a short note on facility level activities and product level activities.
3. What is customer cost analysis ?
4. Write a short note on cost-volume profit analysis.
5. The P/V ratio of a firm dealing in Precision Instruments is 50% and MOS is 40%. You are required to work out the BEP , Fixed cost and net profit if sales volume is Rs 50,00,000.
6. 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.
7. Describe two pricing practices in which non-cost reasons are important, when setting prices.
8. What is variances?
9. What is labour efficiency variance?
10. RST group has two divisions, Division A and Division B. Division A manufactures an item that is transferred to Division B. The item has no external market and 6000 units produced are transferred internally each year. The cost of each division are as follows:

	Division A	Division B
Variable Cost	Rs. 100/unit	Rs. 120/unit
Fixed Cost each year	Rs. 1,20,000	Rs. 90,000





Head office management decided that a transfer price should be set that provides a profit of Rs.30, 000 to Division A. What should be the transfer price per unit?

(8×1=8 weightage)

**Part B (Short Essay/Problems)**

Answer any **six** questions.

Weight 2 each.

11. Explain various categories of customer costs under Activity Based Cost Management.
12. Pilot Pens Ltd manufacture two products –“Gel Pen” and” Ball Pen”. It furnishes the following data for the year 2019.

Product	Annual Output(Units)	Total Machine Hours	Total Number of Purchase Orders	Total Number of Set ups
Gel Pen	5,500	24,000	240	30
Ball Pen	24,000	54,000	440	56

The annual overheads are as under

Particulars	Amount
Volume related Activity Costs	4,75,020
Set up related Costs	5,79,988
Purchase related Costs	5,04,992

Calculate the overhead cost per unit of each product Gel Pen and Ball Pen on the basis of Activity Based Costing.

13. What is profit volume graph? Explain how it is drawn? What are the important limitations?
14. 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 purchased to minimize the cost.

15. "Decision making under incremental pricing involves analysis of various aspects". Comment on this statement.

16. Hind Metals Manufactures an alloy product 'Incop' by using iron and copper. The metals pass through two plants, X and Y. The company gives you the following details for the manufacture of one unit of Incop:

Materials	Iron : 10Kgs @ Rs 5 per Kg Copper: 5 kgs. @ Rs 8 per kg
Wages	3 hours @ Rs 15 per hour in Plant X 5 hours @ Rs 12 per hour in Plant Y
Overhead recovery	On the basis of direct labour hours
Fixed overheads	Rs 8 per hour in Plant X Rs 5 per hour in Plant Y
Variable Overheads	Rs 8 per hour in plant X Rs 5 per hour in plant Y
Selling overheads	(fully variable)- Rs 20 per unit

1. Find out the minimum price to be fixed for the alloy, when the alloy is new to the market. Briefly explain this pricing strategy
2. After the alloy is well established in the market. What should be the minimum selling price ? Why?

17. From the following data ,compute Material Mix Variance ( MMV)

	Std. Mix	Actual Mix
Material A	120 Kgs.@ Rs.50	160 Kgs. @ Rs. 50
Material B	80 Kgs. @ Rs. 100	140 Kgs. @ Rs. 100
	200	300

18. Division A is a profit center, which produces four products P, Q, R and S. Each product is sold in the external market also. Data for the period is as follows.

	P	Q	R	S
Market price/unit	Rs 350	Rs 345	Rs 280	Rs 230
Variable cost/unit	Rs 330	Rs 310	Rs 180	Rs 185
Labor hours/unit	3	4	2	3

Product S can be transferred to division B, but the maximum quantity that might be required for transfer is 2000 units of S.

The maximum sales in the external market are;

P 3000 units, Q 3500 units, R 2800 units, S 1800 units.

Division B can purchase the same product at a slightly cheaper price of Rs 225/unit instead of receiving transfers of product S from division A. What should be the transfer price for each unit for 2000 units of S, if the total labor hours available in division A is 24,000 hours?

(6×2=12 weightage)

### Part C (Essay Type Questions)

Answer any **two** questions.

Weight 5 each.





19. XYZ Ltd. manufactures four products, namely A, B, C and D using the same plant and process. The following information relates to a production period:

Product	A	B	C	D
Output in units	720	600	480	504
Cost per unit: Direct Material	Rs. 42	Rs. 45	Rs. 40	Rs. 48
Direct labour	10	9	7	8
Machine hours per unit	4 hrs.	3 hrs.	2 hrs.	1 hr

The four products are similar and are usually produced in production runs of 24 units and sold in batches of 12 units. Using machine hour rate currently absorbs the production overheads. The total overheads incurred by the company for the period is as follows:

	Rs.
Machine operation and Maintenance cost	63,000
Setup costs	20,000
Store receiving	15,000
Inspection	10,000
Material handling and dispatch	2,592

During the period the following cost drivers are to be used for the overhead cost:

Cost	Cost driver
Setup cost	No. of production runs
Store receiving	Requisition raised
Inspection	No. of production runs
Material handling and dispatch	Orders executed

It is also determined that:

- Machine operation and maintenance cost should be apportioned between setup cost, store receiving and inspection activity in 4:3:2.
- Number of requisition raised on store is 50 for each product and the no. of order executed is 192, each order being for a batch of 12 of a product.

Required:

1. Calculate the total cost of each product, if all overhead costs are absorbed on machine hour rate basis.
2. Calculate the total cost of each product using activity base costing.
3. Comment briefly on differences disclosed between overheads traced by present system and those traced by activity base costing.

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. From the following data of A Co. Ltd. relating to budgeted and actual performance for the month of March, 2021 compute the Direct Material and Direct Labour Cost Variances. Budgeted data for March:

Units to be manufactured: 1,50,000

Units of Direct Material required (based on std. rates): 4,95,000

Planned Purchase of Raw Materials (units): 5,40,000

Average Unit Cost of Direct Material; Rs.8

Direct Labour Hours per unit of finished goods: 3/4 hr.

Direct Labour Cost (total): Rs. 29,92,500

Actual data at the end of March:

Units actually manufactured: 1,60,000

Direct Material Cost (purchase cost based on units actually issued): Rs. 43,41,900

Direct Material Cost (purchase cost based on units actually purchased): Rs. 45,10,000

Average Unit Cost of Direct Material: Rs. 8.2

Total Direct Labour Hours for March: 1,25,000

Total Direct Labour Cost for March: Rs.33,75,000

22. What do you mean by transfer pricing? How is it determined?

(2×5=10 weightage)

