D 122448 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2025

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answer should be written in english only.

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. Define Costing.
2. Distinguish between Cost control and Cost Reduction.
3. What is Absorption Costing ? And list out the components.
4. What is Batch Costing ? How is it different from Job costing ?
5. What is abnormal gain ?
6. Write short notes on :
   (i) Standard Costing ;
   (ii) JIT.
7. Define kaizen costing.

(4 × 2 = 8 weightage)

Turn over

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. From the following data, prepare statement of equivalent production, statement of cost, and process account :

Particulars	Units	Rs.
Opening WIP (50 % completed)	5,000	11,240
Direct Materials		30,000
Direct Labour		22,500
Overheads		22,500
Units introduced in Process	38,000	
Units completed and transferred	39,000	
Closing WIP (25 % completed)	4,000	

9. Write notes on the following :

   i) CVP Analysis ;

   ii) Pareto Analysis ; and

   iii) Value Chain Analysis.

10. What is Transfer pricing ? Describe the objectives of Inter Company Transfer pricing.

11. ABC Ltd. Is manufacturing four products. The following information relate to a production period :

Particulars		Amount (Rs.)
Direct Material Cost	:	27,000
Direct Labour cost	:	50,000
Machine Maintenance Cost	:	15,000
Test Costing	:	9,000
Store receiving	:	6,000
Set-up Cost	:	9,200

Company is absorbing overheads cost to individual product on labour hours. How company is thinking to convert to ABC.

Particulars	W	X	Y	Z
Direct Materials	400	600	300	500
Testing hours	150	300	200	250
Labour hours	1,500	5,000	2,000	4,000
No. of production run	20	25	40	30
No. of Machine hour	700	900	400	500
Requisition raised	20	25	15	20

Calculate total cost of the products on the basis of Traditional method followed by company and ABC.

12. Low country Bikes Inc. is developing a new all-terrain bike that includes a carbon- fibre frame, Light weight tensile steel gears, airless foam rubber tires and air shocks on both the wheels and the seat. The company's cross- functional team believes the bike can be sold for Rs. 2,500 and the company desire a 20 % profit margin.

    i) What is the target cost per bike ; and

    ii) If the unit variable cost Rs. 1,200 and the total fixed cost Rs. 20, 00,000.

    How many bikes must be produced and sold to achieve the target profit.

13. A factory manufactures three products E, F and G which emerge from a joint process. The joint cost amount Rs. 1,20,000.

Particulars	E	F	G
Output	2,000	6,000	2,000
Weight point	4	3	2

You are required to apportion the joint cost :

A) Average unit cost method

B) Weighted average basis and per unit

Turn over

14. Selling price and bottleneck resources details per units are as follows :

Particulars	M	N	O
Selling price per unit	20	15	10
Material and other variable cost per unit	8	5	4
bottle neck resources time (Hrs.)	9	3	1.5

Budgeted factory cost for the period Rs. 2,800. The bottleneck resources time available is 1,600 hours per period. You are required to calculate (i) Company adopted throughput accounting and products are ranked according to product return per hour. Select the highest rank product ; and (ii) Throughput accounting ratio

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. What is Business Cost Accounting ? Explain the Essentials of good costing system.

16. What is Marginal Costing ? Explain the merits and demerits of Marginal Costing.

17. A certain product passes through three processes before it is transferred to finished stock. The following information is obtained for the month of March :

Items	Process-I Rs.	Process- II Rs.	Process- III Rs.	Finished Stock Rs.
Opening stock	1,000	1,200	800	3,000
Direct material	2,000	2,100	3,000	-
Direct wages	1,500	1,500	1,600	-
Production Overheads	1,400	600	4,000	-
Closing stock	500	600	400	1,500
Profit % on Transfer Price (to next process)	25 %	20 %	20 %	-
Inter process profit for opening stock	-	200	200	1,100

Stocks in process are valued at prime cost and finished stock has been valued at the price which it was received from Process III. State during the period were Rs. 35,000. Prepare and compute.

(i) Process cost accounts showing profit element at each stage ; and

(ii) Actual realised profit.

18. Division Z of S Ltd is a profit centre which produce product A, B, C and D each product is sold in the external market also. The following data are available for the period.

Particulars	A	B	C	D
Market price per unit	600	580	560	510
Variable cost of production per unit	520	400	360	335
Labour hours required per unit	3	4	2	3

Product D can be transferred to division Y but the maximum quality that may be required for transfer is 15,000 units of D. The maximum sales is external market are as follows :

A = 16,800 units, B = 15,000 units, C - = 13,800 units, and D = 9,600 units

Division Y can purchased same product at a slightly cheaper price of Rs 500 p.u from outside instead of receiving transfers of product D from division Z.

Required :

What should be the transfer price for each unit of 15,000 units of D. If total labour hours available in division of Z are 1,20,000 hours.

(2 × 5 = 10 weightage)

D 102105 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Section A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. State the differences between joint products and Co-products.
2. What are the conditions for implementation of backflush accounting ?
3. What are the steps involved in the installation of cost accounting system ?
4. Briefly explain the problems in Throughput accounting.
5. What are the advantages of value chain analysis ?
6. Explain the scope of cost accounting.
7. What are the tools for implementation of Kaizen costing ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Differentiate between cost accounting and management accounting.
9. MS Company Ltd. is a leading manufacturer of a certain consumer durable product. The company has two divisions - Engineering and Assembly. The output of the engineering division is transferred to the assembly division for further processing and assembling before being sold to the customer as complete product. Verification of the company's records reveals that the variable cost per unit of

Turn over

the product for engineering and assembly are Rs. 250 and Rs. 300 respectively. The fixed cost of engineering division is Rs. 15,000 and that of the assembly division is Rs. 10,000. The product variable cost per unit of engineering division is Rs. 400, and the total output is 100 units which are sold to customer on completion @ Rs. 2,000 per unit. If the engineering division decides to charge its transfers to assembly division at cost plus 150 %, what will be overall profit and the profits of its two divisions ?

10. Beta Co produces 3 products, E, F and G, details of which are shown below :

	E	**F**	**G**
Selling price per unit	120	110	130
Direct material cost per unit	60	70	85
Maximum demand (units)	30,000	25,000	40,000
Time required on the bottleneck resource (hours per unit)	5	4	3

There are 3,20,000 bottleneck hours available each month.

Calculate the throughput per unit for each product. Rank the products in order of the priority in which they should be produced, starting with the product that generates the highest return per hour first.

11. X, Y, Z Ltd manufactures three products P, Q and R. The actual joint expenses of manufacture for a period were Rs. 8,000. It was estimated that the profit on each product as a percentage of sales would be 30 %, 25 % and 15 % respectively. Subsequent expenses were as follows :

	P	Q	R
Materials	100	75	25
Direct wage	200	125	50
Overhead	150	125	75
	450	**325**	**150**
Sales	6,000	4,000	2500

Prepare statement showing the apportionment of the joint expenses of manufacture over different products.

12. Cam Co manufactures webcams, devices which can provide live video and audio streams via personal computers. It has recently been suffering from liquidity problems and hopes that these will be eased by the launch of its new webcam, which has revolutionary audio sound and visual quality.

The webcam is expected to have a product life cycle of two years. Market research has already been carried out to establish a target selling price and projected lifetime sales volumes for the product. Cost estimates have also been prepared, based on the current proposed product specification. Cam Co uses life cycle costing to work out the target costs for its products. You are provided with the following relevant information for the webcam :

Projected lifetime sales volume	:	50,000 units
Target selling price per unit	:	200
Target profit margin	:	35 %

Manufacturing costs includes Direct material (bought in parts) -40, Direct labour -26, Machine costs -24, Quality control costs -10.

The following information has been identified as relevant :

(1) Direct material cost : all of the parts currently proposed for the webcam are bespoke parts. However, most of these can actually be replaced with standard parts costing 55 % less. However, three of the base poke parts, which currently account for 20 % of the estimated direct material cost, cannot be replaced, although an alternative supplier charging 10 % less has been sourced for these parts.

Calculate target cost and the direct material cost per unit in light of the new information in point (1).

13. For the month of January 2020, production and cost data were as follows :

Total costs :	Material	3,000
	Wages	4,500
	Overhead	2,500
		10,000

Production was 1,500 fully completed units and 200 partly complete.

The degree of completion of the 200 units work in progress was as follows

Materials	75%
Labour	60%
Overheads	50%

Calculate the total equivalent production, the cost per complete unit and value of work in progress.

Turn over

14. ABC Ltd., fixes the inter divisional transfer prices for its production on the basis of cost plus a return on investment in the division. The budget for division A for 2020-21 is as follows

Fixed assets	–	5,00,000
Current assets	–	3,00,000
Debtors	–	2,00,000
Annual fixed cost for the division	–	5,00,000
Variable cost per unit of product	–	15
Budgeted volume	–	2,50,000 units per year
Desired ROI	–	30 % on total investment

Determine transfer price for division A.

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Define marginal costing. Explain its advantages and limitations. Differentiate between marginal costing and absorption costing.

16. Briefly discuss emerging costing approaches.

17. ABC Ltd. is a multiproduct company manufacturing three products A, B and C. The budgeted costs and production for the year ending 31st March are as follows :

	A	B	C
Production quantity (Units)	4,000	3,000	1,600
Resource per unit :			
Direct materials (Kg)	4	6	3
Direct labour (Minutes)	30	45	60

The budgeted direct labour rate was Rs. 10 per hour and the budgeted material cost was Rs. 2 per kg. production overheads were budgeted at Rs. 99,450 and were absorbed to products using the direct labour hour rate. ABC Ltd. followed the absorption costing system.

ABC Ltd. is now considering to adopt an Activity Based costing system. The following additional information is made available for this purpose

1 Budgeted overheads were analysed in to the following

Material handling	–	29,100
Storage costs	–	31,200
Electricity	–	39,150

2 The cost drivers identified were as follows

Material handling	–	Weight of material handled
Storage costs	–	Number of batches of material
Electricity	–	Number of machine operations

3 Data on cost drivers was as follows

	A	B	C
For complete production, Batches of material	10	5	15
Per unit of production, Number of machine operations	6	3	2

Prepare statement showing unit costs and total cost of each product both according to absorption costing and ABC approaches.

18. Neo pharma processes a product through three distinct stages, the product of one process being passed on to the next process and so on to the finished product intact. Details of the cost incurred in each process are given below :

	Process A	Process B	Process C
Raw materials	1,150	1,050	700
Direct wages	500	600	700

The overhead expenses for the period amounted to Rs. 3,600 and is to be distributed to the processes on the basis of direct wages.

There were no stock in any of the processes either at the beginning or at the close of the period.

a) Assuming the output was 1,000 kg, show the process cost of A,B and C indicating also the cost per kg of each element of cost and the output in each process.

b) If 10 percent of the output is lost in storage and giving samples, what should be the selling price per unit be to make a gross profit 33.33% profit on the selling price.

(2 × 5 = 10 weightage)

C 42723 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2023

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What are the features of marginal costing ?
2. State the objectives of Activity based Costing.
3. What are the steps involved in implementing JIT ?
4. Brief the phases of project life cycle.
5. State the differences between main products and By- products.
6. Define :
   a) Waste ; and
   b) Scrap.
7. Differentiate between throughput costing and absorption costing.

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Briefly explain the different methods of apportionment of joint cost.
9. The Joint Products A, B, C, and D are produced at a total joint production cost of Rs. 1,20,000. Quantities produced are A—20,000 units, B—15,000 units, C—10,000 units and D—15,000 units. Product A sells for Rs. 16 ; B Rs. 4 ; C Rs. 8 and D for Rs. 4. These figures are at the split off point. Required to show the apportionment of joint costs by using Sale price per unit method.

Turn over

10. X Ltd., fixes the inter divisional transfer prices for its product on the basis of cost plus a return on investment in the division. The budget for Division A for 2020-21 is as follows :

Fixed assets	–	2,50,000
Current assets	–	1,50,000
Debtors	–	1,00,000
Annual fixed cost of the division	–	4,00,000
Variable cost/unit of product	–	10
Budgeted volume	–	2,00,000 units/year
Desired ROI	–	28 % total investment

Determine the transfer price for division A.

11. From the following information relating to KKN Company Ltd. Prepare Statement of equivalent production.

Opening Stock in Process II – 5000 units of Rs. 36,000

Transfer from Process I – 2,13,000 units of Rs. 8,27,000

Direct Material added in Process II – Rs. 4,01,800

Direct Wages – Rs. 1,98,100 Production Overhead – Rs. 99,050

Units Scrap – 11,000 units Transferred to Process III – 1,89,000 units

Closing Stock – 18,000 units

Degree of Completion :

	Opening Stock	Closing Stock	Scrap
Material	70 %	80 %	100 %
Labour	50 %	60 %	80 %
Overhead	50 %	60 %	80 %

There was a normal loss of 5 % production and unit scraped were sold at Rs. 1.50.

12. Nelco Co produces 3 products, P, Q and R, details of which are shown below :

	P	Q	R
Selling price per unit	100	90	110
Direct material cost per unit	65	75	90
Maximum demand (units)	32,000	28,000	37,000
Time required on the bottleneck resource (hours per unit)	5	3	2

There are 2,00,000 bottleneck hours available each month.

Calculate the throughput per unit for each product. Rank the products in order of the priority in which they should be produced, starting with the product that generates the highest return per hour first.

13. In the manufacture of main product, 300 units of a certain by-product were produced. The market value of the by-product was Rs. 50/unit. The by-product required further processing costs amounting to Rs. 5,000 and selling and distribution overheads amounting to Rs.750 are incurred. Calculate the amount to be credited to the process account in respect of by-product.

14. A Ltd. is engaged in production of three types of ice-cream products : Coco, Strawberry and Vanilla. The Company presently sells 50,000 units of Coco at Rs. 25 per unit, Strawberry 20,000 at Rs. 20 per unit and Vanilla 60,000 at Rs. 15 per unit. The demand is sensitive to selling price ; and it has been observed that every reduction of ₹ 1 per unit in selling price increases the demand for each product by 10 % to the previous level. The Company has the production capacity of 60,500 units of Coco, 24,200 units of Strawberry and 72,600 units of Vanilla. The Company marks up 25 % on cost of the product.

The Company management decides to apply ABC analysis. For this purpose, it identifies four activities and the rate as follows :

Activity		Cost Rate
Ordering	–	Rs. 800 per purchase Order
Delivery	–	Rs. 700 per Delivery
Shelf Stocking	–	Rs. 199 per Hour
Customer Support and Assistance	–	Rs. 1.10 per unit sold

Turn over

The other relevant information for the products is as follows :

Particulars	Coco	Strawberry	Vanilla
Direct Material p.u.	8	6	5
Direct Labour p.u.	5	4	3
No. of Purchase Orders	35	30	15
No. of Deliveries	112	66	48
Shelf Stocking Hours	130	150	160

Under the traditional costing system, Store Support Costs are changed at 30 % of Prime Cost. In ABC these costs are coming under Customer Support and Assistance. Calculate Target Cost for each product after a reduction of selling price required to achieve the sales equal to the production capacity.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Define backflush accounting. Explain its procedures and advantages

16. Define cost accounting. Explain its scope and objectives.

17. The product of a company passes through 3 distinct processes. The following information is obtained from the accounts for the month ending January 31, 2020 :

Particulars	Process -A	Process-B	Process-C
Direct material	7,800	5,940	8,886
Direct wages	6,000	9,000	12,000
Production O H	6,000	9,000	12,000

3000 units @ Rs. 3 each were introduced to process - A. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained :

Process	Output	Percentage of Normal loss to Input	Value of scrap /Unit Rs.
A	2,850	5 %	2
B	2,520	10 %	4
C	2,250	15 %	5

Prepare Process Cost Account, Normal Loss Account and Abnormal Gain or Loss Account.

18. The Gadget Co produces three products A, B and C, all made from the same material. Until now, it has used traditional absorption costing to allocate overheads to its products. The company is now considering Activity Based Costing system in the hope that it will improve profitability. Information for the three products for the last year is as follows.

Particulars	A	B	C
Production and sales volume (units)	15,000	12,000	18,000
Selling price per unit	7.50	12	13
Raw material usage (kg) per unit	2	3	4
Direct labour hours per unit	0.1	0.15	0.2
Machine hours per unit	0.5	0.7	0.9
Number of productions runs per annum	16	12	8
Number of purchase orders per annum	24	28	42
Number of deliveries to retailers per annum	48	30	62

The price for raw materials remained constant throughout the year @ 1.20 per kg. similarly, the direct labour cost for the whole workforce was Rs. 14.80 per hour. The annual overhead costs were as follows :

Machine set up costs	–	26,500
Machine running costs	–	66,400
Procurement costs	–	48,000
Delivery costs	–	54,320

Calculate full cost per unit of each product using Activity Based Costing.

(2 × 5 = 10 weightage)

C 24566 **(Pages : 4 + 4 = 8)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (CBCSS—SDE/PRIVATE) EXAMINATION, APRIL 2022

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer any four *questions.*
Each question carries 2 *weightage.*

1. What is inter-process profit ?
2. What are the limitations of absorption costing ?
3. State the differences between cost centre and profit centre.
4. Briefly explain the components of Throughput accounting.
5. What are the objectives of Activity Based Costing ?
6. Brief the benefits of Theory of constraints.
7. Define :
   (a) Target Costing. (b) Blackflush accounting.

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Briefly explain the procedure of computation of Equivalent production.
9. Prepare a statement of equivalent production and statement of cost from the following information using average costing method :

   Opening Stock - 50000 Units

   Material Rs. 25,000 Labour Rs. 10,000

   Overheads Rs. 25,000

   Units Introduced - 2000000

   Units Material Rs. 100000 Wages Rs. 75,000 Overheads Rs. 70,000

   During the period 1,50,000 units were completed and transferred to Process II.

   Closing stock 1,00,000 units. Degree of completion.

   Material 100 % Labour 50 % Overheads 40 %

Turn over

10. D and D is a denim manufacturer that operates in a very competitive environment. It sells denim to different companies that manufacture and market jeans under their own brands. D and D can only charge Rs. 20 per meter. If the company's intended profit margin is 15 % on cost, calculate the target cost per unit. If 30 % of the cost per meter of denim is related to direct materials, what's the target cost per unit for direct materials.

11. SG Ltd. has two divisions Division X and Division Y. Division X produces product A, which it sells to external market and also to Division Y. Divisions in the SG Ltd. Are treated as profit centres and divisions are given autonomy to set transfer prices and to choose their supplier. Performance of each division measured on the basis of target profit given for each period. Division X can produce 1,00,000 units of product A at full capacity. Demand for product A in the external market is for 70,000 units only at selling price of Rs. 2,500 per unit. To produce product A Division X incurs Rs. 1,600 as variable cost per unit and total fixed overhead of 4,00,00,000. Division X has employed Rs. 12,00,00,000 as working capital, working capital is financed by cash credit facility provided by its lender bank @ 11.50 % p.a. Division X has been given a profit target of Rs. 2,50,00,000 for the year. Division Y has found two other suppliers M Ltd and N Ltd. who are agreed to supply product A. Division Y has requested a quotation for 40,000 units of product A from Division X. Calculate the transfer price per unit of product A that Division X should quote in order to meet target profit for the year.

12. Division A of a manufacturing company has set a target sale of 4,00,000 units of a product at a price to fetch a return on 25% on the assets employed. The following data are available

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

The market can however absorb only 2,80,000 units. Consequently, Division-B at Rs. 4.50/unit. Division 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 fixed assets by Rs. 2,40,000. Besides, it's selling expense, will also go down by Rs. 80,000.

Prepare statement and advise whether Division A should agree to supply Division B's requirement of 1,20,000 units at Rs. 2.25 per unit.

13. A division of XY company produces following 2 types of products :

		Product A	*Product* B
Selling price/unit	...	200	280
Material cost/unit	...	80	100
Variable conversion cost/unit	...	20	60
Maximum sales potential in units	...	75,000	35,000
Production per machine hour/unit	...	3.125	2.5

Maximum capacity hours are 30,000. Total fixed overhead are Rs. 42,00,000.

Calculate throughput accounting ratio for each product and rank the products for manufacture.

14. Two products, P and Q are obtained in a crude from and required further processing at a cost of Rs. 5 for P and Rs. 4 for Q per unit before sales. Assuming a net margin of 25 percent on cost, their sale prices are fixed at Rs. 13.75 and Rs. 8.75 per unit, respectively. During the period, the joint cost was Rs. 88,000 and the output were

P - 8,000 units Q - 6,000 units

Ascertain the joint cost per unit.

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Explain in detail various classifications of cost.

16. Define productivity. Explain the causes of low productivity. And also explain the elements of productivity plan.

17. Ramco Co Ltd manufactures three products, X, Y and Z. Demand for products X and Y is relatively elastic while demand for product Z is relatively inelastic. Each product uses the same materials and the same type of direct labour but in different quantities. For many years, the company has been using full absorption costing and absorbing overheads on the basis of direct labour hours. Selling prices are then determined using cost plus pricing. This is common within this industry, with most competitors applying a standard mark-up.

Budgeted production and sales volume for X, Y and Z for the next year are 20,000 units, 16,000 units and 22,000 units respectively. The budgeted direct costs of the three products are shown below :

Product	X (*per unit*)	Y (*per unit*)	Z (*per unit*)
Direct materials	25	28	22
Direct labour (Rs. 12 /hour)	30	36	24

Turn over

In the next year, Ramco Co also expects to incur indirect production costs of Rs. 13,77,400, which are analysed as follows :

Cost pools	Rs.	*Cost drivers*
Machine set up costs	2,80,000	Number of batches
Material ordering cost	3,16,000	Number of purchase orders
Machine running costs	4,20,000	Number of machine hours
General facility costs	3,61,000	Number of machines hours
Total	13,77,400	

The following additional data relate to each product :

Product	X	Y	Z
Batch size (units)	550	800	400
No of purchase orders per batch	4	5	4
Machine hours per unit	1.5	1.25	1.4

Ramco Co wants to boost sales revenue in order to increase profits but its capacity to do this is limited because of its use of cost-plus pricing and the application of the standard mark-up. The finance director has suggested using Activity Based Costing (ABC) instead of full absorption costing, since this will alter the cost of the products and may therefore enable a different price to be charged.

(a) Calculate the budgeted full production cost per unit of each product using Ramco's current method of absorption costing.

(b) Calculate the budgeted full production cost per unit of each product using Activity Based Costing.

18. Product X is obtained after it passes through three distinct processes. Prepare process accounts from the following :

	Process I	*Process* II	*Process* III	*Total*
Material	5,200	3,960	5,924	15,084
Direct wages	4,000	6,000	8,000	18,000

Production overhead - 18,000. 1000 units @ Rs. 6 per unit were introduced in process I. Production overheads to be distributed as 100 % on direct wages.

	Actual output unit	*Normal loss*	*Value of scarp / unit*
Process I	950	5 %	4
Process II	840	10 %	8
Process III	750	15 %	10

(2 × 5 = 10 weightage)

C 23293 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2022

April 2021 Session for SDE/Private Students

(CBCSS)

Master of Commerce

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

General Instructions

Covid Instructions are not applicable for SDE/Private students

1. *In cases where choices are provided, students can attend* **all** *questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. What do you mean by Cost Accounting ?
2. What is equivalent production ?
3. What is Throughput Accounting ?
4. Write short notes on: (i)ABC, (ii) Spoilage.
5. What is Transfer Pricing ?
6. Define Target costing.
7. What do you understand by Backflush costing accounting ?

(4 × 2 = 8 weightage)

Turn over

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Briefly explain the different techniques of costing.
9. Define kaizen costing. What are its benefits ?
10. From the following information relates to Process I and Process II :

Particulars	Process I (Rs.)	Process II (Rs.)
Materials	20,000	-
Wages	20,000	28,000
Overheads	8,000	20,000

The output of Process I is transferred to Process II at a price fixed to yield a profit of 20% on the transfer price. The output of process II is transferred to the sales department at profit of 25% on the transfer price. The entire out put was sold for Rs. 2,04,000 by the sales department. Prepare process a/c. Calculate the total price assuming that there was no opening or closing stock.

11. Product 'P' Yield by products Q and R. The Joint expenses of Manufacturing are :

Material - 10,000, Labour - 8,000 and Over heads - 9,000.

Subsequent expenses are as follows :

Particulars	P	Q	R
Materials	2,000	1,600	1,800
Labour	2,400	1,400	1,700
Overheads	2,600	1,000	1,500
Total	**7,000**	**4,000**	**5,000**
Selling Price	42,000	20,000	25,000
Estimated profit on Sales	50%	50%	50%

Assume that selling and distribution expenses are in proportion of sales price. Show how would you apportion joint cost of manufacturers and prepare statement showing cost of production of P, Q and R.

12. The following data for a new product the Y-pad music player. The target price is Rs. 50

And the sales required is 10,000 units

ROI 25%

Investment in building Rs. 2,00,000 and machinery Rs. 1,40,000

Estimated cost of materials Rs. 32.50, labour Rs. 3.75 and overheads Rs. 8.00

You are required to calculate the target cost and cost gap for the *y*-pad.

13. Ram and Co. produces 3 products, A, B and C, details of which are shown below :

Particulars	A	B	C
Selling price per unit (Rs.)	120	110	130
Direct material cost per unit (Rs.)	60	70	85
Variable overhead (Rs.)	30	20	15
Maximum demand (units)	30,000	25,000	40,000
Time required on the bottleneck resource (hours per unit)	5	4	3

There are 3,20,000 bottleneck hours available each month.

Calculate the optimum product mix based on the throughput concept.

14. A company has a policy of fixing the transfer price on cost plus 20% of ROI basis. The following information available :

Fixed assets (Rs.)	12,50,000
Current assets (Rs.)	7,50,000
Debtors (Rs.)	5,00,000
Annual fixed cost of a division (Rs.)	20,00,000
Variable cost per unit (Rs.)	50
Budgeted volume (Units)	2,00,000

(i) Determine the transfer price for division.

(ii) If the volume (in units) is increased by 10% the current asset increased Rs. 2,50,000 Debtor increased Rs. 2,50,000. What will be the impact on transfer price ?

(4 × 3 = 12 weightage)

Turn over

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Discuss the practical difficulty in installation of costing system and how to overcome practical difficulties.

16. The following data are available in respect of process I for the month of June :

Opening Work in Progress	900 units at	Rs. 4,500
Degree of Completion	Materials	100%
	Labour	60%
	Overheads	60%
Input of materials	9,100 at	Rs. 27,300
Direct Labour		Rs. 8,200
Production Overhead		Rs. 16,400
Units scrapped		1,200 units
Degree of Completion	Materials	100%
	Labour	70%
	Overheads	70%
Closing Working in Progress		1,000 units
Degree of Completion	Materials	100%
	Labour	80%
	Overheads	80%
Units transferred to next process		7,800 units

Normal process loss is 10% of input (opening stock plus units put in) and scrap value is Rs. 3 per unit. You are required to follow FIFO method and prepare :

I. Statement of Equivalent production

II. Statement of Cost and

III. Process I Account.

17. X AUTO Ltd. produces three products P Q and R for which the standard cost and qualities per unit are as follows :

Products	P	Q	R
Output (units)	5,000	15,000	22,500
Direct materials per unit (Rs)	100	80	60
Direct wages per unit (Rs)	60	80	100
Labour hours per unit	3	4	5
Machine hours per unit	4	4	7
No. of purchase requisition	600	900	1,000
No. of set up	130	120	150

Production Overheads split by departments :

Department A	Rs 5,50,000
Department B	Rs 7,50,000
Total	Rs 13,00,000

Department A is labour incentives while Department B is machine incentives.

Total labour hour in Dept. A	55,000
Total machine hour in Dept B	1,50,000

Production OH split by activity

Receiving / Inspection	7,00,000
Production schedule /machine setup	6,00,000
Total	13,00,000

No. of batches received/inspected	2,500
No .of batches for scheduling and set up	400

You are required to prepare product cost statement under Tradition Absorption costing and ABC methods.

18. What do you understand by JIT ? Explain how it is eliminates wastage of resources.

(2 × 5 = 10 weightage)

C 4695 (Pages : 4) Name..............................

Reg. No..............................

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2021

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admissions)

Time : Three Hours Maximum : 30 Weightage

General Instructions

1. *In cases where choices are provided, students can attend* **all** *questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

Part A

Answer any **four** *questions.*
Each question carries 2 weightage.

1. Explain the various techniques of Costing.
2. Distinguish between Relevant Cost and Irrelevant Cost.
3. What is Equivalent Production ? How is it computed ?
4. Explain Geographic Pricing Strategies.
5. Explain the Principles of Kaizen Costing.
6. What is Life Cost Analysis ?
7. Define : a) Cost Object ; b) Cost Driver.

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 weightage.

8. What are the limitations of Cost Accounting ?
9. "Cost may be classified in a variety of ways according to their nature and the information needs of the Management." Explain.

Turn over

10. ABC LTD. has the capacity of production of 1,20,000 units and presently sells 30,000 units at ₹ 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of ₹ 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25% ?

11. In the timber industry, the milling operations to the split off point during a period amounted to ₹ 17,400 with the following production :

    First grade timber 400 units ; second grade timber 500 units ; third grade timber 600 units.

    You are required to apportion the joint cost on technical evaluation with points 5, 4 and 3 for first, second and third grade respectively.

12. A company fixes the inter-divisional transfer prices for its product on the basis of cost plus an estimated return on investment in its divisions. The relevant portion of the budget for the division A for the year 2015-16 is given below :

    Fixed Assets ₹ 5,00,000 ; Current Assets (other than debtors) ₹ 3,00,000 ; Debtors ₹ 2,00,000 ; Annual Fixed Cost of the Division ₹ 8,00,000 ; Variable Cost per unit of product ₹ 10 ; Budgeted Volume of Production per year (units) ₹ 4,00,000 ; Desired Return on Investment 28%.

    You are required to determine the transfer price for the Division A.

13. From the following details prepare Statement of Equivalent Production, Statement of Cost, Statement of Evaluation and Process Account by following average cost method :

Opening work-in-progress :	2,000 Units
Material (100% complete)	₹ 7,500
Labour (60 % complete)	₹ 3,000
Overheads (60 % complete)	₹ 1,500
Units introduced into the process	₹ 8,000

    There are 2,000 units in process, and the stage of completion is estimated to be :

    Material 100%; Labour 50% ; Overhead 50%.

    800 units are transferred to next process.

    The process costs for the period are :

    Material ₹ 1,00,000; Labour ₹ 78,000 ; Overheads ₹ 39,000.

14. Define Productivity. How will you measure the Productivity ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. TP Ltd. produces a product which passes through two processes-Cutting and Finishing. The following information is provided :

	Cutting	Finishing
Hours available per annum	50,000	60,000
Hours needed per unit of product	5	12
Fixed operating costs per annum excluding direct material (₹)	10,00,000	10,00,000

The selling price of the product is ₹ 1,000 per unit and the only variable cost per unit is direct material, which costs ₹ 400 per unit. There is demand for all units produced.

Evaluate each of the following proposals independent of each other :

i) An outside agency is willing to do the finishing operation of any number of units between 5,000 and 7,000 at ₹ 400 per unit.

ii) An outside agency is willing to do cutting operation of 2,000 units at ₹ 200 per unit.

iii) Additional equipment for cutting can be bought for ₹ 10,00,000 to increase the cutting facility by 50,000 hours, with annual fixed costs increased by ₹ 2 lakhs.

16. Shakshi Ltd. manufactures two products X and Y. Product X is produced in four runs of 250 units and product Y in five independent runs of 200 units. Each product consumes equal direct material and direct labour content. The product overheads amount to ₹ 36,000 which comprises line set up costs ₹ 18,000, product inspection costs ₹ 9,000 and ₹ 9,000 for material movement to the product line. Total cost incurred for producing 1,000 units of product X and 1,000 units of product Y will be as under :

	₹
Direct material	30,000
Direct labour	8,000
Production overhead	40,000
	78,000

Calculate product wise cost under Traditional Costing as well as under Activity Based Costing.

17. The factory is engaged in the production of a chemical X and in the course of its manufacture a by- product Y is produced, which after a separate process has a commercial value. For the month of January 2020, the following are the summarized cost data :

	Joint Expenses (₹)	Separate Expenses	
		X (₹)	Y (₹)
Materials	19,200	7,360	780
Labour	11,700	7,680	2,642
Overhead	3,450	1,500	544

The output for the month was 142 tons of X and 49 tons of Y and the selling price of Y averaged ₹ 280 per ton. Assuming that profit of Y is estimated at 50% of the selling price, prepare an account showing the cost of X per ton.

18. What is JIT ? Discuss the aims and objectives of JIT. How JIT affects production price and costing system ?

(2 × 5 = 10 weightage)

C 83009 (Pages : 3) Name.....

Reg. No.....

SECOND SEMESTER M.A./M.Sc./M.Com. DEGREE EXAMINATION, JUNE 2020

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admissions)

Time : Three Hours Maximum : 30 Weightage

Part A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. Define Cost Accounting and distinguish it from Costing.
2. What is Multiple Operation Costing ? How is it different from Service Costing ?
3. What is Absorption Costing ? When is it useful ?
4. What is Product Life Cycle Costing ?
5. Define Target Costing. How is it different from Traditional costing ?
6. Explain the Kaplan and Coopers approach to ABC.
7. What do you mean by CVP Analysis ?

(4 × 2 = 8 weightage)

Part B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Find out : (a) Equivalent production ; (b) Cost per unit of Equivalent production ; and (c) Prepare the process A Account assuming that there is no opening work-in-progress and process loss. Input, 3,800 Units ; Closing Working Progress, 800 Units.

	Degree of completion	Process Costs (₹)
Materials	80%	7,280
Labour	70%	10,680
Overhead	70%	7,120

Turn over

9. XYZ Co. Ltd. has two divisions A and B. A sells half of its output in the open market and transfers the rest to Division B. Costs and Revenue during 2019 are :

	A (₹)	B (₹)	Total (₹)
Sales	18,000	50,000	68,000
Cost of production in the division	26,000	22,000	48,000
Profit during the period			20,000

There is no opening or closing stocks.

You are required to find out the profit of each division and profit of the company using transfer prices :

a) At cost.

b) At cost plus 20%.

c) At cost plus 20% but there is over spending in Division A by ₹ 4,000.

10. The joint cost of making 40 units of Product A, 120 units of Product B and 140 units of Product C is ₹ 2,250. The selling prices of products A, B and C are ₹ 2, ₹ 3 & ₹ 4 respectively. The products did not require any further processing cost after split off point. You are required to apportion the joint cost : (a) On sales price basis and (b) On sales value basis.

11. A company has the capacity of production of 80,000 units and presently sells 20,000 units at ₹ 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of ₹ 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25% ?

12. A company manufactures two products A and B using common facilities. The following cost data for a month are presented to you :

	A	B
Units produced	1,000	2,000
Direct labour hours per unit	2	3
Machine hours per unit	6	1.5
Set up of machines	15	50
Orders	18	70

	₹
Machine activity expenses	3,00,000
Setup related expenses	30,000
Expenses relating to orders	35,000

Calculate the overheads per unit absorbed using activity-based costing approach.

13. Explain the practical difficulties in installing a Costing System.

14. What are the focuses of Theory of Constraints ? How it differs with regard to cost behaviour ?

(4 × 3 = 12 weightage)

Part C

Answer any **two** *questions.*
Each question carries 5 weightage.

15. Briefly discuss emerging costing approaches.

16. Bengal Chemical Co. Ltd produced three chemicals during the month of July 2019 by three consecutive processes. In each process 2% of the total weight put in is lost and 10% is scrap which from processes (1) and (2) realizes ₹ 100 a ton and from process (3) ₹ 20 a ton.

The products of three processes are dealt with as follows :

	Process 1	Process 2	Process 3
Passed to the next process	75%	50%	-
Sent to warehouse for sale	25%	50%	100%

Expenses Incurred :

	Process 1		Process 2		Process 3	
	₹	Tons	₹	Tons	₹	Tons
Raw material	1,20,000	1,000	28,000	140	1,07,840	1,348
Manufacturing wages	20,500	-	18,520	-	15,000	-
General expense	10,300	-	7,240	-	3,100	-

Prepare Process Cost Accounts showing the cost per ton of each product.

17. H Ltd. manufactures three products. The material cost, selling price and bottleneck resource details per unit are as follows :

	Product X	Product Y	Product Z
Selling Price (₹)	66	75	90
Material and other Variable Cost (₹)	24	30	40
Bottleneck resources time (minutes)	15	15	20

Budgeted factory costs for the period are ₹ 2,21,600. The bottleneck resources time available is 75,120 minutes per period.

Required :

i) Company adopted throughput accounting and products are ranked according to'product return per minutes'. Select the highest rank product.

ii) Calculate throughput accounting ratio and comment on it.

18. Explain performance measurement in Cost Accounting.

(2 × 5 = 10 weightage)