COMMERCEFACTORY.IN

(Pages : 4) Name.....

Reg. No.....

FOURTH SEMESTER M.Com. DEGREE EXAMINATION, JUNE 2018

(CUCSS)

MC 4C 15—COST MANAGEMENT

(2015 Admissions)

Time : Three Hours Maximum : 36 Weightage

Part A

Answer **all** *questions.*
Each question carries 1 *weightage.*

1. What is a cost driver ? Give examples.
2. What is Strategic Cost Management ?
3. What do you understand by Kaizen ?
4. What is cost control ?
5. What is a productivity index ?
6. What do Joint Products and By Products refer to in process costing ?

(6 × 1 = 6 weightage)

Part B

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

7. Elimination of inventories through 'Just-in-time' (JIT) method is believed to result in different types of cost savings. Give two examples.
8. 'Business Processing Re-engineering is an effective framework for harmonising people, organisation and Information technology'. Justify.
9. In business-as-usual scenario a group consisting of 10 men, 5 women and 5 boys in a factory works for 40 hours per week to produce 1000 units of output. They are paid at standard hourly rates of INR 125, INR 80 and INR 70 respectively. On a certain occasion, the gang consisted of 13 men, 4 women and 3 boys. The actual wages were paid per hour at the rate of INR 120, INR 85 and INR 65 respectively. Two hours per week was lost due to abnormal idle time and 960 units of output were produced. Calculate -- Labour Cost Variance, Labour Rate Variance, Total Labour Efficiency Variance, Labour Efficiency Variance, Labour Idle Time Variance, Labour Mix Variance and Labour Yield Variance.

Turn over

10. Explain the role of Value Chain Analysis in decision making. Assume a firm/ business of your choice for explanation.

11. Activity-based costing is great for manufacturing plants, but does not really address the needs of the service sector." Do you agree with this statement ? Explain.

12. TATA Motors manufactures 2 distinct types of Sedans - TATA ZEST and TATA PRIMA. The total expenses during a period for the assembly of 600 ZEST and 800 PRIMA cars are given below :

Material	–	INR 19,80,000
Direct Wages	–	INR 12,00,000
Stores	–	INR 1,98,000
Running expenses of the machine	–	INR 4,40,000
Depreciation	–	INR 2,20,000
Labour amenities	–	INR 15,000
Works overhead	–	INR 30,000
Administration and selling OH	–	INR 26,800

The other data available to you is — ZEST : PRIMA

Material cost ratio per unit	–	1 : 2
Direct Labour ratio per unit	–	2 : 3
Machine utilisation ratio per unit	–	1 : 2

Calculate the cost of each vehicle per unit giving reasons for the bases of apportionment adopted by you.

13. Halloween Inn is being run by a local entrepreneur in the coast of Malabar with 50 single rooms. During off-seasons which lasts for 6 months (30-days), the occupancy is offered at 5 0% concessional rates. The Inn owner targets a profit of 20% of the room rent. Calculate the room rent chargeable per day both during the season and the off season months on the basis of the given below information.

(a) Occupancy during the season is 80% , while in the off-season it is 40%.

(b) Expenses include - staff salary (including room service) - INR 2,75,000 ; repairs to building - INR 1,30,000 ; laundry and linen - INR 40,000; interior and tapestry — INR 87,500 ; sundry expense — INR 95,000 ; and maintenance charges - INR 1000 per room.

(c) Provide for depreciation at 5% on building, 15% on furniture and equipments.

(d) Total investments on building is INR 100 lakh out of which 20% goes to furniture and equipments.

14. ABC Company produces two types of stereo units. Activity data follows :

Activity usage measures	Product–Costing Data		
	Deluxe	Regular	Total
Units produced per year	5,000	50,000	55,000
Prime costs (INR)	39,000	3,69,000	4,08,000
Direct labour hours	5,000	45,000	50,000
Machine hours	10,000	90,000	1,00,000
Production runs	10	5	15
Number of moves	120	60	180

Activity cost data (overhead activities)

Activity		Activity cost (INR)
Setting up equipment	–	60,000
Material handling	–	30,000
Using power	–	50,000
Testing	–	40,000
Total		1, 80, 000

You are required to calculate :

(a) Calculate the consumption ratios for each activity.

(b) Group activities based on the consumption ratios and activity level.

(c) Calculate a rate for each pooled group of activities.

(d) Using the pool rates, calculate unit product costs.

(6 × 3 = 18 weightage)

Part C

Answer any **two** *questions.*
Each question carries 6 *weightage.*

15. How are modern cost management techniques better than traditional cost management techniques ? Justify your answer with example

16. Product 'X' passes through three process — A, B and C before it is transferred to finished stock. The following information is obtained for the month of January 2017—

	Process A (INR)	Process B (INR)	Process C (INR)	Finished Stock
Opening Stock	5,000	8,000	10,000	20,000
Direct materials	40,000	12,000	15,000	
Direct Labour	35,000	40,000	35,000	
Manufacturing overheads	20,000	24,000	20,000	
Closing stock	10,000	4,000	15,000	30,000
Percentage of Profit on Transfer Price to next process	25%	20%	10%	
Unrealised profit for opening stock		1,395	2,690	6,534

Stocks in process are valued at prime cost and finished stock has been valued at the price at which it is received from process C. Sales during the period were INR 4, 00, 000.

Prepare and compute :

(a) Process Cost Accounts showing profit element at each stage.

(b) Actual realized profit.

(c) Stock valuation for balance sheet purpose.

17. Delhi Transport Company has been given a route of 20 km long to run a bus. The bus costs the company a sum of INR 5,00,000. It has been insured at 3% p.a. and the annual tax will amount to INR 1,00,000. Garage rent is INR 5,000 per month. Actual repairs will be INR 10, 000. And the bus is likely to last for 5 years. The driver's salary will be INR 6,500 per month and the conductor's salary will be INR 2,000 per month in addition to 10% of the takings as commission (to be shared by the driver and the conductor equally). Cost of stationery will be INR 100 per month. Manager-cum-accountant's salary is INR 6,000 per month. Petrol and Oil will be INR 300 per 100 km. The bus will make 3 round trips carrying on the average 40 passengers on each trip. Assuming 15% profit on takings, calculate the bus fare to be charged from each passenger. The bus will run on an average 25 days in a month.

(2 × 6 = 12 weightage)