

**FOURTH SEMESTER M.Com. DEGREE (SUPPLEMENTARY/IMPROVEMENT)
EXAMINATION, MARCH 2021**

(CUCSS)

M.Com.

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 do you mean by Bench Marking ?
2. What is KAIZEN costing ?
3. What do you mean by BPR ?
4. Define by-products.
5. What do you mean by Material Price Variance ?
6. What do you mean by ABC ?

(6 × 1 = 6 weightage)

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

7. Explain the main techniques of Strategic Cost Management.
8. What do you mean by target costing ? What are the steps involved in it ?
9. What are the limitations of historical costing ?
10. ABC Ltd has collected the following data for its two activities. It calculates cost rates based on cost driver capacity :—

Activity	Cost driver	Capacity	Cost
Power	Kilowatt hours	60,000 kilowatt hour	₹3,00,000
Inspection	No. of inspections	25,000 inspections	₹5,00,000

Turn over

The company makes three products, A, B and C for the year ended 31 March, 2019, the following consumption of cost drivers was reported.

Product	Kilowatt hours	Quality inspection
A	10,000	10,000
B	25,000	8,000
C	20,000	5,000

Required :

- (i) Compute the cost allocated to each product from each activity.
 - (ii) Calculate the cost of unused capacity for each activity.
11. In process A 100 units of raw materials were introduced at a cost of ₹1,000. The other expenditure incurred by the process was ₹ 602. Of the unit introduced 10% are normally lost in the course of manufacture and they possess a scrap value of ₹ 3 each. The output of process A was only 75 units. Prepare process A a/c and abnormal loss a/c.
 12. XY Ltd manufactures three joint products- A, B and C, the actual joint expenses of manufacture for a period were ₹ 8,000.

It was estimated that the profit on each product as a percentage of sale would be 30%, 25% and 15% respectively. Subsequent expense were as follows :

	A (₹)	B (₹)	C (₹)
Material	100	75	25
Direct wages	200	125	50
Overhead	150	125	75
Sales	6,000	4,000	2,500

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

13. In a factory 100 workers are engaged and average rate of wages is ₹ 5 per hour. Standard working hours per week are 40 and the standard performance is 10 unit per hour. During the week in February, wages paid for 50 workers at the rate of ₹ 5 per hour, 10 workers at ₹ 7 per hour and 40 workers at ₹ 4 per hour. Actual output was 380 units. The factory did not work for 5 hours due to breakdown of machinery.

Calculate labor variances.

14. What is normal loss ? How is it treated in cost accounts ?

(6 × 3 = 18 weightage)

Part C

Answer any two questions.
Each question carries 6 weightage.

15. 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	1348
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.

16. A Transport Co. has been given a 40 kilometer long to run 5 buses. The cost of each bus is ₹ 6,50,000. The buses will make three round trips per day carrying on an average 80 per cent passengers of their seating capacity. The seating capacity of each bus is 40 passengers. The buses will run on an average 25 days in a month. The other information for the year 2018-19 are given below :

Garage rent ₹ 4,000 per month ; annual repairs and maintenance ₹ 22,500 each bus ; salaries of 5 drivers ₹ 3,000 each per month ; wages of 5 conductors ₹ 1,200 each per month ; managers salary ₹ 7,500 per month ; road taxes, permit fee etc. ₹ 5,000 for a quarter ; office expense ₹ 2,000 per month ; cost of diesel per litre ₹ 33 ; kilometer run per litre for each bus 6 kilometres ; annual depreciation 15% of cost ; annual insurance 3% of cost.

You are required to calculate the bus fare to be charged from each passenger per kilometre, if the company wants to earn profit of 33 1/3% on takings.

17. What is strategic cost management ? Discuss its advantages.

(2 × 6 = 12 weightage)