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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 | <u>48,000</u> |
| Profit during the period           |        |        | <u>20,000</u> |

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 :

- At cost.
  - At cost plus 20%.
  - 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 | Machine activity expenses   | 3,00,000 |
| Direct labour hours per unit | 2     | 3     | Setup related expenses      | 30,000   |
| Machine hours per unit       | 6     | 1.5   | Expenses relating to orders | 35,000   |
| Set up of machines           | 15    | 50    |                             |          |
| Orders                       | 18    | 70    |                             |          |

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

- Explain the practical difficulties in installing a Costing System.
- 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 :

- Company adopted throughput accounting and products are ranked according to 'product return per minutes'. Select the highest rank product.
  - Calculate throughput accounting ratio and comment on it.
18. Explain performance measurement in Cost Accounting.

(2 × 5 = 10 weightage)