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(Pages : 3)

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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 ?

cost variable product.

(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	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.

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)

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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.

cash inflow reasons
out flow reason..

Cost center. price

Cost System.

(2 × 5 = 10 weightage)