

C 4695

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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 :

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

Turn over

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)