

**SECOND SEMESTER M.Com DEGREE EXAMINATION, APRIL 2021**  
**(Improvement/Supplementary/Special)**

**M.Com**

**FMCM2C08: STRATEGIC COST ACCOUNTING**

**Time: 3 Hours**

**Maximum Weightage: 30**

**Part A: Answer any *four* questions. Each carries 2 weightage**

1. Compare the terms Cost center, Cost unit, Cost object and Cost driver.
2. List out the essentials of an ideal Cost Accounting system.
3. Describe the behavioral classification of costs.
4. Differentiate between traditional absorption costing and activity-based costing.
5. Comment on the concept of Cost reduction.
6. Define 'joint product' and 'by-product' and explain with examples.
7. Write the steps towards 'Lean manufacturing system'

**(4 × 2 = 8 Weightage)**

**Part B: Answer any *four* questions. Each carries 3 weightage**

8. Differentiate the concept contribution, under Marginal costing and Throughput costing.
9. Describe the concept of 'theory of constraints' and its usefulness.
10. Melcow Company produces 3 products, E, F and G all in the same factory, details of which are shown below:

	E	F	G
Selling price per unit	₹120	₹110	₹ 130
Material cost per unit	₹60	₹70	₹ 85
Maximum demand (units)	30,000	25,000	40,000
Time required on the bottleneck resources (Hours per unit)	5	4	3

There are 3,20,000 bottleneck hours available each month.

You are required to calculate the optimum product mix each month.

11. Altron Ltd. is considering a cost saving project. This involves purchasing a machine costing ₹ 70,000 which will result in annual saving of wage cost of ₹10,000 and on material cost of ₹ 4,000. The following forecast are made of the rates of inflation each year for the next 5 years; Wage cost: 10%, Material cost: 5% and General prices: 6%

The cost of capital of the company in monetary terms is 15%. Evaluate the project by assuming that the machine has 5 years' life with no scrap value.

**(PTO)**

12. L&L Company is a linen clothes manufacturer that operates in a very competitive environment. It sells linen to different companies that manufacture and market shirts under their own brands. L&L can only charge ₹ 200 per meter. If the company's intended profit margin is 15% on cost, calculate the target cost per unit. If 30% of the cost per meter of linen is related to direct materials, what is the target cost per unit for direct materials.
13. A product of Mayo Ltd. passes through two processes such as Minting and Vending then to finished stock. It is ascertained that in each process normally 5% of total weight is lost and 10% is scrap which from Minting. Process Minting and Vending realizes Rs.80 per tonne and Rs.200 per tonne respectively. The following are the figures relating to both the processes:

	<i>Minting</i>	<i>Vending</i>
Materials in tonnes	1,000	70
Cost of material per tonne	₹ 125	₹ 200
Wages	₹ 28,000	₹ 10,000
Manufacturing Expense	₹ 8,000	₹ 5,250
Output in tonnes	830	780

Prepare the process cost accounts showing the cost per tonne of each process. There was no stock or work in progress in any process.

14. The Abraham Company produces three products – Product A, Product B and Product C. Product A and B are the joint products. Product C has a relatively small market value and is therefore treated as a by-product. During March, 8,000 units of product A, 10,000 units of product B and 2,000 units of product C were processed in refining department. The joint processing cost incurred in the refining department was ₹ 2,04,000. Some additional data is given below:

	Product A	Product B	Product C
Sales price per unit	₹ 200	₹ 250	₹50
Production cost after separation	₹ 50	₹ 70	₹10
Marketing expense per unit			₹10
Operating profit per unit			₹10

The Abraham Company uses market value method to assign cost to product A and product B and reversal cost method to allocate cost to product C. You are required to allocate joint cost to by-product C and joint product A and B.

**(4 × 3 = 12 Weightage)**

**Part C: Answer any two questions. Each carries 5 weightage**

15. Briefly explain the practical difficulties in installation of strategic cost accounting system and also explain how these difficulties are to tackled.
16. Write a note on emerging costing approaches.
17. Prepare a statement of equivalent production, statement of cost, process account from the following information using average costing method.

Opening Stock	50,000 Units
Material	₹ 25,000
Labour	₹ 10000
Overheads	₹ 25000
Units Introduced	2,00,000 Units
Material	₹ 100000
Wages	₹ 75000
Overheads	₹ 70000

During the period 1,50,000 units were completed and transferred to process II.

Closing stock 1,00,000 units. Degree of completion.

Material	100 %
Labour	50 %
Overheads	40 %

18. Galaxy Ltd. is organized into two divisions namely X and Y. Division X produces three products, P, Q and R. Information per unit are:

	P	Q	R
Market price	₹240	₹230	₹200
Variable cost	₹168	₹120	₹140
Direct labour hours	4	5	3
Maximum sales potential (in units)	3200	2000	1200

Division Y had a demand for 1200 units of product Q for its use. If division X cannot supply the requirement, Division Y can buy similar product from market at ₹224 per unit. What should be the transfer price of 1200 units of Q for division Y, if the total labour hours available in Division X are restricted to 15000?

**(2 × 5 = 10 Weightage)**