

SECOND SEMESTER M.Com. DEGREE EXAMINATION, APRIL 2021
COMMERCE
FMCM2C08: STRATEGIC COST ACCOUNTING

Time: 3 Hours**Maximum Weightage: 30****Part A: All questions can be answered. Each carries two weightage (Ceiling 6 weightage).**

1. Define the term 'Costing' and mention the 'techniques of costing'.
2. Differentiate between Cost Accounting and Management Accounting.
3. Illustrate the concept of 'Unrealized profit' in Process accounts.
4. Bring out the conceptual differences among 'waste', 'scrap' and 'spoilage'.
5. How do we measure the 'productivity' of a firm?
6. What is Pareto Analysis?
7. Elucidate 'Kaizen' philosophy.

Part B: All questions can be answered. Each carries four weightage (Ceiling 12 weightage).

8. Harmony Ltd. manufactures three products. The material cost, selling price and bottleneck resource details per unit are as follows:

| Particulars | Product M | Product N | Product O |
|--------------------------------------|-----------|-----------|-----------|
| Selling price (₹) | 66 | 75 | 90 |
| Material and other variable cost (₹) | 24 | 30 | 40 |
| Bottle neck resource 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:

- a) Company adopted throughput accounting and products are to be ranked according to 'product return per minute' and select the highest rank product.
- b) Calculate throughput accounting ratio and comment on it.

(PTO)

9. Briefly describe the essential elements of an effective Cost Accounting System.
10. What is the significance of behavioral classification of cost?
11. The joint cost of making 40 units of product P, 120 units of product Q and 140 units of product R is ₹ 22,500. The selling price of these products are ₹. 20. ₹. 30 and ₹. 40 respectively. The product did not require and further processing cost after split off point. You are required to apportion the joint cost under:
- Sales price basis
 - Sales value basis.
12. Bascom Ltd. is about to replace its existing traditional power generation plant either by Thermal power plant or by Diesel power plant. Finance cost is 14% a year, and the other estimated costs are as follows:

| | <i>Thermal plant</i> | <i>Diesel plant</i> |
|---|----------------------|---------------------|
| Initial plant cost | ₹3.2 crore | ₹4.24 crore |
| Annual operating cost | ₹ 1.8 crore p.a | ₹2 crore p.a |
| Repair service cost (on completion of 5 years): | ₹ 5 lakh each | |

Bascom is expecting that the new power plants will last at least 25 years, which power plant should be chosen?

13. From the following details of two products, A and B, prepare the 'statement of cost' and ascertain gross profit per unit, gross margin per unit and throughput contribution per unit.

| | Product A | Product B |
|---------------------------------|-----------|-----------|
| Units of Production | 1,000 | 500 |
| Direct material cost (total)(₹) | 30,000 | 15,000 |
| Direct labour cost (total)(₹) | 15,000 | 7,000 |
| Total direct expenses(₹) | 4,000 | 3,000 |
| Total variable Overhead(₹) | 7,000 | 5,000 |
| Fixed overhead(₹) | 8,000 | 3,000 |
| Total sales value(₹) | 72,000 | 40,000 |

14. From the following information find out equivalent production and its cost per unit and prepare process account.

Input: 3,800 units, output: 3,000 units, closing work-in-progress: 800 units and the degree of completion of material is 80%, labour and overheads are 70% each. The process costs are material ₹. 7,400, labour and overhead ₹. 18,000.

Part C: All questions can be answered. Each carries six weightage (Ceiling 12 weightage).

15. Describe the methods of 'Transfer pricing' and briefly discuss the importance and issues related to transfer pricing in the present global business scenario.
16. PAX Ltd. produces two products X and Y using the same production facilities and process. You are required find unit cost of the two products under traditional absorption cost method (Labour Hour Rate based) and Activity Based Cost method from the given details:

| Particulars | X | Y |
|-----------------------------|--------------|--------------|
| Output in units: | 12000 | 15000 |
| Total Direct material cost: | Rs. 4,00,000 | Rs. 6,30,000 |
| Total Direct wages: | Rs. 2,00,000 | Rs. 4,90,000 |
| Expenses (direct): | Rs. 50,000 | Rs. 1,40,000 |
| Labour hours/unit: | 2 | 4 |
| Machine hours/unit: | 6 | 2 |
| Set ups in the period: | 20 Nos | 80 Nos |
| Orders handled: | 30 Nos | 120 Nos |

Indirect cost of activities was: Machine operating activities- Rs.5,20,000, Production run set ups- Rs.60,000 and Order handling - Rs.1,20,000.

Also prepare cost comparison statement and put your remarks.

(PTO)

17. Elucidate any *six* emerging costing approaches with appropriate examples.
18. A product passes through two processes A and B. Output of A is transferred to B at cost plus 25% profit and from B to finished stock at cost plus 25% profit. There was no work in progress in both processes and opening stock of finished goods at the end of the period. Additional information available is as follows:

| | Process A (Rs) | Process B (Rs) |
|------------------|----------------|----------------|
| Direct materials | 25,000 | 75,000 |
| Direct labour | 35,000 | 55,000 |
| Closing stock | 10,000 | 30,000 |

Closing stock of finished goods was valued at Rs.45,000 and the balance was sold for Rs. 1,50,000. Prepare Process Accounts and Finished Stock Account