D2ACM2103 **(4 Pages)** **Name.....**
Reg.No.....

SECOND SEMESTER M.Com DEGREE EXAMINATION, APRIL 2022
(Regular/Improvement/Supplementary)

COMMERCE
FMCM2C08: STRATEGIC COST ACCOUNTING

Time: 3 Hours **Maximum Weightage: 30**

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

1. Define the concepts: a) Productivity index; b) JIT.
2. What do you mean by target costing?
3. Mention various reports served by the cost accounting system to the management.
4. Define 'Opportunity cost' with a suitable example.
5. Differentiate between joint products and by-products.
6. Describe the concept of 'Activity Based Budgeting'.
7. Define the 'Theory of Constrains'.

(4 × 2 = 8 weightage)

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

8. Differentiate between 'Cost Control' and 'Cost Reduction' and also list out the tools of cost control and cost reduction.
9. Describe the managerial uses of CVP analysis.
10. The budgeted overheads and cost driver volumes of XYZ are as follows.

Cost Pool	Budgeted Overheads (₹)	Cost Driver	Budgeted Volume
Material procurement	5,80,000	No. of orders	1,100
Material handling	2,50,000	No. of movements	680
Set-up	4,15,000	No. of set ups	520
Maintenance	9,70,000	Maintenance hours	8,400
Quality control	1,76,000	No. of inspection	900
Machinery	7,20,000	No. of machine hours	24,000

(P.T.O.)

The company has produced a batch of 2,600 components of AX-15, its material cost was ₹1,30,000 and labor cost ₹ 2,45,000. The usage activities of the said batch are: Material orders 26 Nos, maintenance 690 hours, material movements18 Nos, inspection 28 Nos, set ups 25 Nos, machinehours-1,800 Hours.

Calculate – cost driver rates that are used for tracing appropriate amount of overheads to the said batch and ascertain the cost of batch of components using Activity Based Costing.

11. From the given information help the management to determine optimum production mix based on Throughput Accounting Ratio (TPAR), if machine hours (maximum 18000 hours) are the bottleneck resources.

Particulars	Product A	Product B
Selling price in (₹)	200	250
Material cost	70	85
Fixed cost	20	20
Variable cost	60	75
Profit	50	70
Machine hour per unit	1	1.5
Demand	10000	8000

12. Following data were related to three joint products A, B and C.

	A	B	C
Sales Value (₹)	25000	20000	16000
Selling costs (₹)	3600	4500	1000
Weights (Kgs)	180	240	160

Joint costs ₹42000. Calculate the profit made by each product by apportioning joint costs on

a) The sales value basis

b) the physical basis.

13. Axion Ltd. currently produces only 10,000 units of cell charger which is selling at ₹80 per unit. The cost of producing a cell charger is ₹75 per unit. Production can be increased to 12,500 units by utilizing idle facilities provided extra output can be sold in the market. Axion Ltd. introduced target costing system. Cost of Cell charger can be brought down

substantially because of innovated product design. The estimated figures for the next year are:

Target sales price – ₹70 per unit

Target sales volume – 12,000 units

Target Margin – 10% on sales

You are required to:

a) Calculate target cost per unit and target cost for the expected volume;

b) Compare existing profit with target profit.

14. Estimate the cost of production of 'by-products' P and Q at the point of separation from the main product.

	P	Q
Selling price per unit	₹ 12	₹24
Cost per unit after separation from main product	₹3	₹5
Units produced	500	200

Selling expenses amounts to 25% of total work cost, i.e, including both pre-separation and post-separation work costs. Sales prices are arrived at by adding 20% of total cost (the sum of work cost and selling expenses).

(4 × 3 = 12 weightage)

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

15. Define 'Cost Accounting' and describe its importance to the various stakeholders of the business.

16. Division A is a profit center which produces three products X, Y and Z. Each product has an external market.

	X	Y	Z
External market price per unit	₹ 48	₹ 46	₹ 40
Variable cost of production in division A	₹ 33	₹ 24	₹ 28
Labour hours required per unit in division A	3	4	2

Product Y can be transferred to Division B, but the maximum quantity that might be required for transfer is 300 units of Y.

(P.T.O.)

The maximum external sales are: X- 800 units Y-500 units Z- 300 units

Instead of receiving transfers of Product Y from Division A, Division B could buy similar product in the open market at a slightly cheaper price of ₹45 per unit.

What should the transfer price be for each unit for 300 units of Y, if the total labour hours available in Division A are?

(a) 3800 hours

(b) 5600 hours

17. With the help of the following information, prepare statement of equivalent production, statement of cost and evaluation and Process Account (use weighted average cost method).

Opening stock of work-in-progress: 2,000 units

Materials (100%complete) ₹7,500

Labour (60%complete) ₹3,000

Overheads (60% complete) ₹1,500

Units introduced into this process: 8,000

There are 2,000 units in process and the stage of completion estimated to be:

Materials 100%, Labour 50%, Overhead 50%.

8,000 units are transferred to the next process.

The process costs for the period are:

Material ₹ 1,00,000, Labour ₹ 78,000, Overheads ₹39,000.

18. Explain the following concepts with its features.

a) Project Life Cycle Costing

b) Kaizen Costing

c) Backflush costing.

(2 × 5 = 10 weightage)