

SECOND SEMESTER M.Com DEGREE EXAMINATION, APRIL 2023
(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 term Target Costing.
2. Compare cost accounting and management accounting.
3. What is TPM?
4. Explain Backflush accounting.
5. What do you mean by CVP Analysis?
6. Explain Multifactor Productivity.
7. Discuss the scope of cost accounting.

(4 × 2 = 8 weightage)

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

8. Distinguish between Productivity and Profitability.
9. ABC Ltd. produces and sells a single product with the following information.

Selling price per unit: Rs 50

Variable cost per unit: Rs 30

Fixed costs: Rs 50,000

Calculate the following using marginal costing.

- i) Contribution margin per unit.
 - ii) Break-even point in units.
 - iii) Break-even point in sales dollars.
 - iv) Profit at a sales volume of 2,000 units.
 - v) Sales volume required to achieve a target profit of Rs 20,000.
 - vi) Break-even point in units.
10. Explain Product Life Cycle Costing.

11. From the following information calculate the Economic Order Quantity.

Annual usage – 20,000 units

Cost of materials (per unit) – Rs. 250

Cost of placing and receiving order – Rs. 2,000

Annual cost of carrying inventory (including interest) – 10% of cost.

12. Compute labour hour rate from the information given below.

Total number of operators working in 12 department of a factory is 20. The department works for 300 days in a year and number of hours per day worked is 8. Idle time is 5% of the total number of days. Total departmental overheads are Rs. 22,800.

13. Estimated annual overheads in department X were Rs. 3,500 fixed; Rs. 6,500 variables. Estimated machine hours were 10,000. Actual machine hours worked were 9,500 and actual overheads incurred were: -

Fixed Rs. 4,000

Variable Rs. 5,000

Find out under or over-absorption based on pre-determined rates.

14. A company makes three products X, Y and Z. All three products use the same type of labour which is limited to 1,000 hours per month. Individual details are as follows.

Product	X	Y	Z
Contribution/unit	25	40	32
Labour hours/unit	5	6	8
Maximum demand	50	100	400

Suggest the management on the optimal product mix.

(4 × 3 = 12 weightage)

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

15. Prepare a Statement of Equivalent Production, Cost Statements, Statements of Valuation and Process Account from the following particulars using First in First out Method.

a) Opening work in progress – 900 units @ Rs.4, 500, degree of completion, material – 100%, labour and overheads – 60%.

b) Input of materials: 9100 units @ Rs. 27,300, expenses: Labour Rs.12,300, overheads Rs. 8, 200.

c) Finished units transferred to next process – 7, 800.

d) Normal scrap – 10% of input, scrap realization @ Rs. 3 per unit.

e) Units scrapped– 1,200 units, degree of completion: material 100%, labour and overheads: 70%.

f) Closing work in progress– 100 units, degree of completion: material 100%, labour and overheads 80%.

16. The following performance statistics are extracted from the records of a company which has just completed first year of its operations.

- a. Planned output: 100000 units. Actual output: 100000 units.
- b. Sales 90000 units at Rs. 80 per unit.
- c. Direct material cost per unit Rs. 15.
- d. Direct labour cost Rs. 400000.
- e. Variable manufacturing overhead expenses Rs. 600000.
- f. Fixed manufacturing overhead expenses Rs. 2000000.
- g. Variable administration and selling overheads 10 per unit.
- h. Fixed administration and selling overheads Rs 1000000.

Prepare income statement under absorption costing and throughput costing.

17. Dream Co. Ltd. produced three chemicals during the month of July 2017 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 expenses	10,300	--	7,240	--	3,100	--

Prepare Process Cost Accounts showing the cost per ton of each product.

18. Global Ltd. provides the following information relating to its products A and B.

	Product A	Product B
Yearly output	3000 units	30000 units
No. of machine hours per unit	4	4
No. of labour hours per unit	8	8
Total machine hours	12000	120000
Total labour hours	24000	240000
No. of purchase orders	240	480
No. of set up	120	180

The overhead cost of the activities has been as under.

Volume related	330000
Purchased related	360000
Set-up related	<u>630000</u>
	1320000

Calculate the total cost of the two products separately under:

- a) Traditional costing system and b) Activity based costing method.

(2 × 5 = 10 weightage)