D2ACM2303 **(3 Page)** **Name.....**
Reg.No.....

SECOND SEMESTER M.Com DEGREE EXAMINATION, APRIL 2024
(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. Explain briefly the objectives of cost accounting.
2. Differentiate between cost accounting and financial accounting.
3. Explain the concept of 'inter-process profit.'
4. How do you treat research and development costs in cost accounting?
5. How do we compare the 'productivity' and 'profitability' of a firm?
6. Mention the benefits of CVP analysis.
7. Define 'cost reduction' and describe any *two* tools for cost reduction.

(4 × 2 = 8 weightage)

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

8. Briefly describe the practical difficulties in the installation of an effective cost accounting system.
9. State the importance of behaviour-wise classification of cost.
10. Glaxo Ltd. produces 3 products, GXP, GXQ and GXR. Following is the data available for these three products.

GXP	2000 Kgs sold @Rs. 250 per Kg
GXQ	4000 Kgs sold @Rs. 150 per Kg
GXR	1000 Kgs sold @ Rs. 300 per Kg

The total joint cost of producing the above three products was Rs. 14,00,000. You are required to apportion the joint cost and ascertain profit for each product separately under:

(P.T.O.)

a) Physical unit basis

b) Sales value basis.

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

Particulars	Product P	Product Q	Product R
Selling price (₹)	70	78	92
Material and other variable cost (₹)	25	32	42
Bottleneck resource time (minutes)	15	15	20

Budgeted factory cost for the period is ₹ 2,25,000. The bottleneck resource time available is 75,200 minutes per period.

Required:

a) The company adopted throughput accounting and products are to be ranked according to 'product return per minute' and select the highest rank product.

b) Calculate the throughput accounting ratio and comment on it.

12. From the following information, prepare the process X account, Normal loss account and Abnormal loss or gain account as the case may be: 2100 units are transferred to process X @ Rs. 4.10 per unit. Other particulars relating to the process are, material-Rs.4000, labour-Rs.1200 and overhead-Rs. 500. The normal loss has been estimated at 10% of the process input. Units of normal loss can be sold @Rs. 1.20 per unit. Actual production in the process is 1950 units and the output of process X is transferred to the finished stock account.

13. Mr. John wants to purchase a new car worth Rs. 6,00,000. Calculate the car's life cycle cost if John plans to sell the car after five years at a residual value of Rs. 1,50,000. As per estimates, the annual expense for maintenance & repair will be Rs. 40,000, and gas consumption per year will be another Rs. 30,000. Please consider the applicable interest rate to be 8%.

14. Describe the concept of 'Kaizen' with its benefits and procedure.

(4 × 3 = 12 weightage)

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

15. Critically examine how value chain analysis and theory of constraints serve as significant tools for strategic cost management.

16. The following information is given in respect of Process III for January 2024.

Opening stock – 2,000 units made up of:	
Direct Material – a	Rs. 12,350
Direct Material – b	Rs. 13,200
Direct Labour	Rs. 17,500
Overheads	Rs. 11,000

Transferred from Process II – 20,000 units @ Rs. 6 per unit. Transferred to Process IV – 17,000 units. Expenditures incurred in the process – III are:

	Rs.
Direct Material	30,000
Direct Labour	60,000
Overheads	60,000

Scrap:1,000 units-Direct Materials 100%, Direct Labour 60%, Overheads 40%., Normal Loss 10 % of Production. Scrapped units realised Rs. 4/- per unit.

Closing stock: 4,000 units – Degree of completion: direct Materials 80 %, Direct Labour 60 %, and Overheads 40 %. Prepare Process III Account using the average price method along with necessary supporting statements.

17. Mayo Inc. produces two products M and N using the same production facilities and process. You are required to find the unit cost of the two products under the traditional absorption cost method (Labour Hour rate-based) and Activity Based Cost method from the given details:

Particulars	**M**	**N**
Output in units:	12500	14500
Total Direct material cost:	Rs. 4,50,000	Rs. 6,50,000
Total Direct wages:	Rs. 2,50,000	Rs. 5,00,000
Expenses (direct):	Rs. 50,000	Rs. 1,40,000
Labour hours/unit:	2	4
Machine hours/unit:	6	2
Setups in the period:	20 Nos	80 Nos
Orders handled:	30 Nos	120 Nos

The indirect cost of activities was: Machine operating activities- Rs.5,20,000, Production run setups- Rs.60,000 and Order handling - Rs.1,20,000.

Also, prepare a cost comparison statement and put your remarks.

(P.T.O.)

18. Barclays Ltd. has two divisions – 'Bar' and 'Clay' divisions. The Bar division sells half of its output in the open market and transfers the balance to the Clay division. Particulars of cost and revenue during the year 2023 are given below:

	Bar (Rs)	Clay (Rs)	Total Rs.
Sales	2,00,000	6,00,000	8,00,000
Material cost	2,00,000	1,50,000	3,50,000
Other costs involved in production	1,00,000	1,00,000	2.00,000
Profit during the period			2,50,000

There is no opening or closing stocks. Find out the profit of each division and profit of the company using transfer prices:

i) At cost method,

ii) At cost plus 20%, and

iii) At cost plus 20% but there is overspending in 'Bar' division by Rs. 45,000.

(2 × 5 = 10 weightage)