D 102105 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Answers should be written in English only.

Section A

Answer any **four** *questions.*
Each question carries 2 *weightage.*

1. State the differences between joint products and Co-products.
2. What are the conditions for implementation of backflush accounting ?
3. What are the steps involved in the installation of cost accounting system ?
4. Briefly explain the problems in Throughput accounting.
5. What are the advantages of value chain analysis ?
6. Explain the scope of cost accounting.
7. What are the tools for implementation of Kaizen costing ?

(4 × 2 = 8 weightage)

Section B

Answer any **four** *questions.*
Each question carries 3 *weightage.*

8. Differentiate between cost accounting and management accounting.
9. MS Company Ltd. is a leading manufacturer of a certain consumer durable product. The company has two divisions - Engineering and Assembly. The output of the engineering division is transferred to the assembly division for further processing and assembling before being sold to the customer as complete product. Verification of the company's records reveals that the variable cost per unit of

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the product for engineering and assembly are Rs. 250 and Rs. 300 respectively. The fixed cost of engineering division is Rs. 15,000 and that of the assembly division is Rs. 10,000. The product variable cost per unit of engineering division is Rs. 400, and the total output is 100 units which are sold to customer on completion @ Rs. 2,000 per unit. If the engineering division decides to charge its transfers to assembly division at cost plus 150 %, what will be overall profit and the profits of its two divisions ?

10. Beta Co produces 3 products, E, F and G, details of which are shown below :

	E	**F**	**G**
Selling price per unit	120	110	130
Direct material cost per unit	60	70	85
Maximum demand (units)	30,000	25,000	40,000
Time required on the bottleneck resource (hours per unit)	5	4	3

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

Calculate the throughput per unit for each product. Rank the products in order of the priority in which they should be produced, starting with the product that generates the highest return per hour first.

11. X, Y, Z Ltd manufactures three products P, Q and R. The actual joint expenses of manufacture for a period were Rs. 8,000. It was estimated that the profit on each product as a percentage of sales would be 30 %, 25 % and 15 % respectively. Subsequent expenses were as follows :

	P	Q	R
Materials	100	75	25
Direct wage	200	125	50
Overhead	150	125	75
	450	**325**	**150**
Sales	6,000	4,000	2500

Prepare statement showing the apportionment of the joint expenses of manufacture over different products.

12. Cam Co manufactures webcams, devices which can provide live video and audio streams via personal computers. It has recently been suffering from liquidity problems and hopes that these will be eased by the launch of its new webcam, which has revolutionary audio sound and visual quality.

The webcam is expected to have a product life cycle of two years. Market research has already been carried out to establish a target selling price and projected lifetime sales volumes for the product. Cost estimates have also been prepared, based on the current proposed product specification. Cam Co uses life cycle costing to work out the target costs for its products. You are provided with the following relevant information for the webcam :

Projected lifetime sales volume	:	50,000 units
Target selling price per unit	:	200
Target profit margin	:	35 %

Manufacturing costs includes Direct material (bought in parts) -40, Direct labour -26, Machine costs -24, Quality control costs -10.

The following information has been identified as relevant :

(1) Direct material cost : all of the parts currently proposed for the webcam are bespoke parts. However, most of these can actually be replaced with standard parts costing 55 % less. However, three of the base poke parts, which currently account for 20 % of the estimated direct material cost, cannot be replaced, although an alternative supplier charging 10 % less has been sourced for these parts.

Calculate target cost and the direct material cost per unit in light of the new information in point (1).

13. For the month of January 2020, production and cost data were as follows :

Total costs :	Material	3,000
	Wages	4,500
	Overhead	2,500
		10,000

Production was 1,500 fully completed units and 200 partly complete.

The degree of completion of the 200 units work in progress was as follows

Materials	75%
Labour	60%
Overheads	50%

Calculate the total equivalent production, the cost per complete unit and value of work in progress.

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14. ABC Ltd., fixes the inter divisional transfer prices for its production on the basis of cost plus a return on investment in the division. The budget for division A for 2020-21 is as follows

Fixed assets	–	5,00,000
Current assets	–	3,00,000
Debtors	–	2,00,000
Annual fixed cost for the division	–	5,00,000
Variable cost per unit of product	–	15
Budgeted volume	–	2,50,000 units per year
Desired ROI	–	30 % on total investment

Determine transfer price for division A.

(4 × 3 = 12 weightage)

Section C

Answer any **two** *questions.*
Each question carries 5 *weightage.*

15. Define marginal costing. Explain its advantages and limitations. Differentiate between marginal costing and absorption costing.

16. Briefly discuss emerging costing approaches.

17. ABC Ltd. is a multiproduct company manufacturing three products A, B and C. The budgeted costs and production for the year ending 31st March are as follows :

	A	B	C
Production quantity (Units)	4,000	3,000	1,600
Resource per unit :			
Direct materials (Kg)	4	6	3
Direct labour (Minutes)	30	45	60

The budgeted direct labour rate was Rs. 10 per hour and the budgeted material cost was Rs. 2 per kg. production overheads were budgeted at Rs. 99,450 and were absorbed to products using the direct labour hour rate. ABC Ltd. followed the absorption costing system.

ABC Ltd. is now considering to adopt an Activity Based costing system. The following additional information is made available for this purpose

1 Budgeted overheads were analysed in to the following

Material handling	–	29,100
Storage costs	–	31,200
Electricity	–	39,150

2 The cost drivers identified were as follows

Material handling	–	Weight of material handled
Storage costs	–	Number of batches of material
Electricity	–	Number of machine operations

3 Data on cost drivers was as follows

	A	B	C
For complete production, Batches of material	10	5	15
Per unit of production, Number of machine operations	6	3	2

Prepare statement showing unit costs and total cost of each product both according to absorption costing and ABC approaches.

18. Neo pharma processes a product through three distinct stages, the product of one process being passed on to the next process and so on to the finished product intact. Details of the cost incurred in each process are given below :

	Process A	Process B	Process C
Raw materials	1,150	1,050	700
Direct wages	500	600	700

The overhead expenses for the period amounted to Rs. 3,600 and is to be distributed to the processes on the basis of direct wages.

There were no stock in any of the processes either at the beginning or at the close of the period.

a) Assuming the output was 1,000 kg, show the process cost of A,B and C indicating also the cost per kg of each element of cost and the output in each process.

b) If 10 percent of the output is lost in storage and giving samples, what should be the selling price per unit be to make a gross profit 33.33% profit on the selling price.

(2 × 5 = 10 weightage)