

C 83009

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Name.....

Reg. No.....

SECOND SEMESTER M.A./M.Sc./M.Com. DEGREE EXAMINATION, JUNE 2020

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

Part A

Answer any four questions.

Each question carries 2 weightage.

1. Define Cost Accounting and distinguish it from Costing.
2. What is Multiple Operation Costing ? How is it different from Service Costing ?
3. What is Absorption Costing ? When is it useful ?
4. What is Product Life Cycle Costing ?
5. Define Target Costing. How is it different from Traditional costing ?
6. Explain the Kaplan and Coopers approach to ABC.
7. What do you mean by CVP Analysis ?

(4 × 2 = 8 weightage)

Part B

Answer any four questions.

Each question carries 3 weightage.

8. Find out : (a) Equivalent production ; (b) Cost per unit of Equivalent production ; and (c) Prepare the process A Account assuming that there is no opening work-in-progress and process loss. Input, 3,800 Units ; Closing Working Progress, 800 Units.

	Degree of completion	Process Costs (₹)
Materials	80%	7,280
Labour	70%	10,680
Overhead	70%	7,120

Turn over

9. XYZ Co. Ltd. has two divisions A and B. A sells half of its output in the open market and transfers the rest to Division B. Costs and Revenue during 2019 are :

	A (₹)	B (₹)	Total (₹)
Sales	18,000	50,000	68,000
Cost of production in the division	26,000	22,000	<u>48,000</u>
Profit during the period			<u>20,000</u>

There is no opening or closing stocks.

You are required to find out the profit of each division and profit of the company using transfer prices :

- At cost.
 - At cost plus 20%.
 - At cost plus 20% but there is over spending in Division A by ₹ 4,000.
10. The joint cost of making 40 units of Product A, 120 units of Product B and 140 units of Product C is ₹ 2,250. The selling prices of products A, B and C are ₹ 2, ₹ 3 & ₹ 4 respectively. The products did not require any further processing cost after split off point. You are required to apportion the joint cost : (a) On sales price basis and (b) On sales value basis.
11. A company has the capacity of production of 80,000 units and presently sells 20,000 units at ₹ 100 each. The demand is sensitive to selling price and it has been observed that with every reduction of ₹ 10 in selling price the demand is doubled. What should be the target cost at full capacity if profit margin on sale is taken as 25% ?
12. A company manufactures two products A and B using common facilities. The following cost data for a month are presented to you :

	A	B		₹
Units produced	1,000	2,000	Machine activity expenses	3,00,000
Direct labour hours per unit	2	3	Setup related expenses	30,000
Machine hours per unit	6	1.5	Expenses relating to orders	35,000
Set up of machines	15	50		
Orders	18	70		

Calculate the overheads per unit absorbed using activity-based costing approach.

- Explain the practical difficulties in installing a Costing System.
- What are the focuses of Theory of Constraints ? How it differs with regard to cost behaviour ?

(4 × 3 = 12 weightage)

Part C

Answer any two questions.

Each question carries 5 weightage.

15. Briefly discuss emerging costing approaches.
16. Bengal Chemical Co. Ltd produced three chemicals during the month of July 2019 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 expense	10,300	-	7,240	-	3,100	-

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

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

	Product X	Product Y	Product Z
Selling Price (₹)	66	75	90
Material and other Variable Cost (₹)	24	30	40
Bottleneck resources 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 :

- Company adopted throughput accounting and products are ranked according to 'product return per minutes'. Select the highest rank product.
 - Calculate throughput accounting ratio and comment on it.
18. Explain performance measurement in Cost Accounting.

(2 × 5 = 10 weightage)