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TM244259S

Reg. No :..............................

Name :................................

MASTER'S DEGREE (C.S.S) EXAMINATION, MARCH 2024

2022 ADMISSIONS REGULAR

SEMESTER IV - CORE COURSE COMMERCE

CO4C14TM20 - Advanced Cost and Management Accounting

Time : 3 Hours

Maximum Weight : 30

## Part A

**I. Answer any Eight questions. Each question carries 1 weight** **(8x1=8)**

1. Explain Cost Drivers and its types.
2. Explain the concept of Key Factor under Marginal Costing.
3. From the following particulars, determine the amount of fixed expenses. Sales- Rs. 2,40,000, Direct materials- Rs. 80,000, Direct Labour- Rs. 50,000, Variable Overheads- Rs. 20,000, Profit- Rs. 50,000. Also explain the concept of marginal costing.
4. Explain the key elements of a successful export pricing strategy.
5. The operating results of a manufacturing company for the year ending 31.03.2019 are summarised below: Sales- Rs. 48,00,000 , Trade Discount- Rs. 2,40,000, Net Sales- Rs. 45,60,000. Cost of Sales: Direct Materials- Rs. 14,40,000, Labour- Rs. 12,60,000, Factory Overheads- Rs. 6,30,000, Administration expenses- Rs. 3,60,000, Selling and distribution- Rs. 4,50,000. Following changes are anticipated during the year 2019-20: a. Units to be sold- to increase by 25%, b. Material Price- to increase by 15%, c. Direct Wages- to increase by 12%, d. Overheads- Factory overheads will be limited to Rs. 6,56,000, Administration and selling and distribution expenses are estimated to increase by 8% and 14%, e. Inventory- No change in opening and closing inventories in quantity. The change in value may be ignored, f. Trade Discount - No change in the rate, g. Profit target for the year- Rs. 6,00,000. Required to calculate the unit selling price.
6. Differentiate between Standard Costs and Estimated Costs.
7. From the following, calculate:
   (a) Material Cost Variance
   (b) Material Price Variance
   (c) Material Usage Variance

| Materials | Standard Unit | Standard Price | Actual Unit | Actual Price |
|---|---|---|---|---|
| A | 400 | 24 | 320 | 26 |
| B | 200 | 20 | 280 | 20 |

8. List down the limitations of Negotiated Approach of determining Transfer Price.
9. AB Ltd. has two divisions- A and B. Division A makes the components for a cost of Rs. 30 and these are transferred to Division B at Rs. 50. The costs incurred in Division B Rs. 20. Division B sells the output at Rs. 90. Calculate the divisional profit and also profit of AB Ltd. as a whole. Is the transfer price acceptable to both Companies? Comment.
10. S Ltd. has two divisions- Sun and Moon. Sun procures the materials and processing is carried out in Division Moon. The details of the divisions are as : Variable Cost: Sun- Rs. 60 per unit Moon- Rs. 30 per unit Opportunity cost of Sun Division- Rs. 20 per unit. Market Price of similar raw material procured by Division Sun- Rs. 100. Calculate the range of transfer price if: a. Division Sun has spare capacity b. Division Sun has no spare capacity. Justify your answer.

## Part B

**II. Answer any Six questions. Each question carries 2 weight** **(6x2=12)**

11. Enumerate the stages required to implement the Activity Based Costing.
12. S Limited is a manufacturer of a range of white goods.It wishes to introduce ABC system and has identified 4 major cost pools and their associated cost drivers which are as follows :

| Cost Pool | Cost Driver | Amount |
|---|---|---|
| Stores receiving | Purchase requisitions | Rs. 1,48,000 |
| Quality control | Production runs | Rs. 4,47,000 |
| Material handling | Orders | Rs. 1,05,000 |
| Machine setups | No of setups | Rs. 6,00,000 |

Further, the relevant information on the 3 products is given as under :

| Particulars | P | Q | R |
|---|---|---|---|
| Purchase requisitions | 300 | 450 | 500 |
| Production runs | 750 | 1,050 | 1,200 |
| Orders | 180 | 270 | 300 |
| Setups | 360 | 390 | 450 |

Prepare a statement showing the allocation of overhead costs amongst the products.

13. S Ltd has a planned capacity adequate to provide 19,800 hrs of machine use. The plant can produce all A type tools or all B type tools or a mixture of two types. Following information is relevant : Selling price : A - Rs 10 , B - Rs 15; Variable cost : A - Rs 8 , B - Rs 12; Hours required to produce : A - 3 , B - 4; Market conditions are such that not more than 4,000 A type tools and 3,000 B type tools can be sold in a year. Annual fixed cost Rs.9,900. Compute the product mix that will maximize the net income to the company and find the maximum net income.
14. Explain the concept of Pricing. What are the objectives of Pricing Policy?
15. LMV Limited manufactures product Z in departments A and B which also manufacture other products using same plant and machinery. The information of product Z is as follows:

| Items | Dept A (in Rs) | Dept B (in Rs) |
|---|---|---|
| Direct material per unit | 30 | 25 |
| Direct labour per unit (Rs 10 per hour) | 30 | 40 |
| Overhead rates : | | |
| Fixed (8 per hour) | 8 | 4 |
| Variable (per hour) | 6 | 3 |
| Value of plant and machinery | 25,00,000 | 15,00,000 |



Overheads are recovered on the basis of direct labour hours. Variable selling and distribution overheads relating to product Z are amounting to Rs. 30,000 per month. The product requires a working capital of Rs. 4,00,000 at the target volume of 1,500 units per month occupying 30 per cent of practical capacity.

Required:

1) To calculate the price of product Z to yield a contribution to cover 21 per cent rate return on investment.

2) Set the minimum selling price of the product if
a) the product is well established in the market
b) the product is first time launched in the market.

16. Explain the Material Variances in Standard Costing.

17. Standard cost of a certain chemical mixture is: 40% material A at Rs. 40 per ton, 60 % material B at Rs. 30 per ton. A standard loss of 10% is expected in production. Actual cost of materials used is: 90 tons of material A at a cost of Rs. 42 per ton, 180 tons of ,material B at a cost of Rs. 28 per ton. Actual Output is 230 tons. Prepare a statement showing the standard cost of output and the variances that emerge.

18. HI Group has two divisions - A and B. Division A manufactures an item that is transferred to Division B. The item has no external market and 6,000 units produced are transferred internally each year. The costs of each division are as follows: Variable Cost: Division A- Rs. 200 per unit, Division B- Rs. 120 per unit. Fixed Cost each year: Division A- Rs. 60,000, Division B- Rs. 90,000. Head Office management decided that a transfer price should be set that provides a profit of Rs. 60,000 to Division A. What should be the transfer price per unit?

**Part C**

**III. Answer any Two questions. Each question carries 5 weight** **(2x5=10)**

19. Fast Cook Ltd. is a pressure cooker manufacturing company doing business through wholesalers and retailers. The Company is following ABC system. Average cost per cooker is Rs. 600 and the listed price is Rs. 1,000. But cookers are sold at a discount of 25% on listed price on orders for above 200 units and at a discount of 20% on orders for 200 units or less. The company wants to analyse the profitability of two of its wholesale customers A and B and two of its retail customers X and Y on the basis of the business with them during last year. This is to explore the opportunities to increase the profitability from the customers. The relevant data pertaining to the last year are given below:

| Customer | A | B | X | Y |
|---|---|---|---|---|
| Purchase orders | 50 | 65 | 230 | 270 |
| No. of cookers purchased per order | 500 | 300 | 40 | 30 |
| No. of visits to customers place | 10 | 15 | 25 | 22 |
| No. of ordinary deliveries | 45 | 50 | 175 | 200 |
| No. of speed deliveries | 5 | 15 | 50 | 65 |

The activity, cost driver and the rate are as follows:

| Activity | Cost Driver | Cost/driver (Rs.) |
|---|---|---|
| Order Processing | No. of purchase orders | 1,300 |
| Visiting customers | No. of customers visited | 7,400 |
| Ordinary delivery | No. of ordinary deliveries | 2,000 |
| Speed Delivery | No. of speed deliveries | 6,000 |

Required:
Evaluate the customer profitability by calculating the profit per cooker from each customer.

20. (a) X Ltd. has earned contribution of Rs. 2,00,000 and net profit of Rs. 1,50,000 on sales of Rs. 8,00,000. What is its margin of safety ? (b) If margin of safety is Rs. 2.40,000 (40% of sales) and P/V Ratio is 30% of AB Ltd., calculate its (i) Break even sales and (ii) Amount of profit on sales of Rs. 9,00.000. (c) A company

sells its product at Rs.15 per unit. In a period, if it produces and sells 8,000 units, it incurs a loss of Rs. 5 per unit. If the volume is raised to 20,000 units, it earns a profit of Rs. 4 per unit. Calculate break-even point both in terms of rupees as well as in units. (d) A company earned a profit of Rs. 30,000 during the year 2019-20. If the marginal cost and selling price of a product are Rs. 8 and Rs. 10 per unit respectively, find out the amount of Margin of Safety. (e) The profit volume (P/V) ratio of B B & Co. dealing in precision Instruments is 50% and the margin of safety is 40%. You are required to work out the break-even point and the net profit if the sales volume is Rs. 50 lakhs. (f) A Company has a P/V ratio of 40%. By what percentage must sales be increased to offset: (i) 10% reduction in selling price and (ii) 20% reduction in selling price.

21. Explain the methods for determining Transfer Prices.

22. Division A is a profit centre, which produces three products X, Y and Z. Each product is sold in the external market also.

Data for the period is as follows: (in Rs.)

| | X | Y | Z |
|---|---|---|---|
| Market Price per unit | 48 | 46 | 40 |
| Variable cost per unit | 33 | 24 | 28 |
| Labour hours per unit | 3 | 4 | 2 |
| Maximum external sales units | 800 | 500 | 300 |

Up to 300 units of Y can be transferred to an internal division B.

Division B can purchase the same product at a slightly cheaper price of Rs. 45 per unit

Determinethe transfer price for Y , if the total labour hours available in division A are:

1) 3800 hours 2) 5600 hours