TM243365T

Reg. No :.....

Name :.....

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

2023 ADMISSIONS REGULAR

SEMESTER III - CORE COURSE COMMERCE AND MANAGEMENT

CM3C11TM - 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 Activity Based Management .
2. Explain the benefits of Activity Based Costing.
3. Explain the elements of Cost-Volume-Profit Analysis.
4. Differentiate between Contribution and Profit.
5. Explain the techniques of Value Analysis.
6. Explain the areas where cost reduction can be applied.
7. Enumerate the importance of variance analysis.
8. Define Standard Costing.
9. Explain Transfer pricing.
10. Explain marginal (variable) cost approach of transfer pricing.

Part B

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

11. Explain the areas in which ABC information is used for Decision Making.
12. **A Company manufactures two products A and B using common facilities. The following cost data for a month are presented to you:-**

Particulars	No.of Units	Direct Material	Direct Labour	Total Machine Hours	Total No.of set ups	Total No.of purchase orders
Product A	3,000	Rs 50,000	Rs 40,000	10,000	10	60
Product B	20,000	Rs 1,50,000	Rs 70,000	50,000	30	140

The annual Overheads are as follows :-

Volume related activity	**Rs 5,00,000**
Set up related expenses	**Rs 4,00,000**
Expenses related to orders	**Rs 3,50,000**

Calculate the cost per unit absorbed using Activity Based Costing.

13. Explain the concept of Margin of safety.
14. **A company has fixed expenses of Rs 90,000 with sales at Rs 3,00,000 and a profit of Rs 60,000 during the first half year. If in the next half year, the company suffered a loss of Rs 30,000, Calculate :**
    a) The P/V Ratio, Break Even Point and Margin of Safety for the first half year.
    b) Expected sales volume for next half year assuming that selling price and fixed expenses remain unchanged.
    c) The Break Even Point and Margin of Safety for the whole year.
15. **Compute the productivity per machine hour with the following data. Also draw your interpretation.**

Month	No.of Machines Employed	Working hours	Production Units
January	400	220	99,000
February	550	180	1,00,000
March	580	220	1,25,000

16. **The standard material required to manufacture one unit of product X is 10 kgs. and the standard price per kg. of material is Rs. 25/-. The cost accounts records , however, reveal that 11,500 kgs of material costing Rs. 2,76,000 were used for manufacturing 1,000 units of product X. Calculate material variances.**
17. Describe about Transfer Pricing and why is transfer price necessary in the organization.
18. **A and B are two divisions of the Company , A makes a single product which it sells to B for incorporation into B's product. The relevant costs and revenue are:**

Quantity (in units)	Costs of A	Revenue of B after deducting VC
100	150	300
200	240	400
300	320	490
400	400	570
500	510	640

Find out what is the apt transfer pricing based on the increment between Division A and Division B and how many units should be produced.

Part C

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

19. **MNO Ltd. manufactures two types of equipment A and B and absorbs overheads on the basis of direct labour hours. The budgeted overheads and direct labour hours for the month of March 2020 are Rs.15,00,000 and 25,000 hours respectively.**

The information about the company's products is as follows:

	Equipment	
	A	B
Budgeted Production Volume	3,200 units	3,850 units
Direct Matreial Cost	Rs 350 per unit	Rs 400 per unit
Direct Labour Cost		
A : 3 hours @ Rs 120 per hour	Rs 360	
B : 4 hours @ Rs 120 per hour		Rs 480

Overheads of Rs 15,00,000 can be identified with the following three major activities:

Order processing	Rs 3,00,000
Machine Processing	Rs 10,00,000
Product Inspection	Rs 2,00,000

These activities are driven by the number of orders processed, machine hours worked and inspection hours respectively. The data relevant to these activities is as follows:

	Orders processed	Machine hours worked	Inspection hours
A	400	22,500	5,000
B	200	27,500	15,000
Total	600	50,000	20,000

Required:

i) Prepare a statement showing the manufcaturing cost per unit of each product using the absorption

costing method assuming the budgeted manufacturing volume is attained.

ii) Determine cost driver rates and prepare a statement showing the manufaturing cost per unit of each product using Activity Based Costing,assuming the budgeted manufacturing volume is attained.

iii) MNO Ltd.'s selling prices are based heavily on cost. By using direct labour hours as an application base, calculate the amount of cost distortion (under costed or over costed) for each equipment.

20. Following figures relate to one year's working at 100 per cent capacity level in a manufacturing business:

	Rs		Rs
Fixed overhead	1,20,000	Direct materials	4,10,000
Variable overhead	2,00,000	Sales	10,00,000
Direct wages	1,50,000		

Represent the above figures on a break-even chart and determine from the chart the break-even point. Verify your result by calculations.

21. From the data given below, Calculate Total Material Cost Variance, Material Price Variance and Material Usage Variance.

Materials	Standard	Actual
X	1010 units @ 1.0	1080 units @ 1.2
Y	410 units @ 1.5	380 units @ 1.8
Z	350 units @ 2.0	380 units @ 1.9

22. Division A is a profit centre that produces three products X,Y and Z and each product has an external market.

The relevant data is as :

	X	Y	Z
External Market Price per unit (Rs)	48	46	40
Variable Cost of production (Division A) (Rs)	33	24	28
Labour hours per unit (Division A)	3	4	2
Maximum external sales units	800	500	300

Upto 300 units of Ycan be transferred to an internal Division B.

Division B has also the option of purchasing externally at a price of Rs 45 per unit.

Determine the transfer price for Y the total labour hours available in Division A is :

a) 3,800 hours b) 5,600 hours