15/10/25

TM253896J

Reg. No :.....

Name :.....

MASTER'S DEGREE (C.S.S) EXAMINATION, OCTOBER 2025

2024 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 three steps of Activity Based Management for managers that lead to improve efficiency and profitability of operations.
3. Explain Break Even Chart along with the underlying assumptions.
4. Explain Angle of Incidence.
5. Explain the techniques of Value Analysis.
6. Explain the areas where cost reduction can be applied.
7. Explain analysis of variance.
8. Differentiate between historical costing and standard costing.
9. Explain Transfer pricing.
10. Explain the objectives of Transfer pricing.

Part B

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

11. Explain the prerequisites for successful implementation of ABC.
12. A Company manufactures two products A and B using common facilities. the following cost data for a month are presented to you:-

Particulars	Product A	Product B
Units produced	2,500	30,000
Total machine hours	10,000	60,000
Total number of set ups	10	40
Total number of purchase order	80	200

The annual overheads areas follows:-

Volume related activity Rs 3,00,000

Set up related activity Rs 4,00,000

Expenses related to orders Rs 3,20,000

Calculate the overhead per unit absorbed using Activity Based Costing.

13. Differentiate between absorption costing and marginal costing.
14. A newly set of manufacturing Company is planning to produce a product that will sell for Rs.10 per unit. The demand of product is estimated at 10000 units per year. The company has choice of 2 machines each of which has a capacity of producing 10,000 units per year. Machine A would have a Fixed cost of Rs.30,000 per year and would yield a profit of Rs.30,000 per year on sale of 10000 units. Machine B would have a Fixed cost of Rs.18,000 per year and would yield a profit of Rs.22,000 per year on a sale of 10,000 units. Calculate the Volume of Sales at which the cost of 2 machines will be Indifferent.

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. From the data given below, Calculate all materials variances.

	Consumption for 100 units of product	
Raw Materials	Standard	Actual
A	40 units @ Rs 50 per unit	50 units @ Rs 50 per unit
B	60 units @ Rs 40 per unit	60 units @ Rs 45 per unit

17. Explain the different methods used for determining transfer price as per cost-based transfer price approach.

18. A company is organised into two divisions, namely X and Y,and produces three products A,B and C. Data per unit are :

	A	B	C
Market Price (Rs)	240	230	200
Variable Costs (Rs)	168	120	140
Direct labour (hours)	4	5	3
Maximum Sales Potential (units)	1,600	1,000	600

Division Y has a demand for 600 units of Product B for its use. If Division X cannot supply the requirement, Division Y can buy a similar product from market at Rs 224 per unit.

Required:

What should be the transfer price of 600 units of B for Division Y,if the totaal direct labour hours available in Division X are restricted to 15,000?

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 Activity Based Costing System. Average cost per cooker is Rs 600 and the listed price is Rs 1000. 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
No.of 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 area as follows:

Activity	Cost Driver	Cost per unit of Driver (Rs)
Order processing	No.of purchaase 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:

i) Evaluate the customer profitability by calculating the profit per cooker from each customer.

ii) Recommend steps to be taken to improve profitability from less profitable customers

20. The following information is given by Tushar Ltd. for the year 2018-2019:

Profits Rs 12,000; Fixed Cost Rs 24,000; Margin of Safety Rs 30,000

For the year 2019-20 it is anticipated that the variable cost and fixed cost will decrease by 25% and selling price will fall by 10%.

You are required to calculate for the year 2019-20:

i) Sales to earn profit @ 10% on sales and margin of safety

ii) Profit if the sales are anticipated at 10% above the present break-even point.

iii) Profit if margin of safety is anticipated 50% above the present percentage of magin of safety.

21. Standard cost of a chemical mixture is as under :

8 tons of material A at Rs 40 per ton.

12 tons of material B at Rs 60 per ton.

Standard yield is 90% of input.

Actual cost for a period is as under :

10 tons of material A at Rs 30 per ton.

20 tons of material B at Rs 68 per ton.

Actual Yield is 26.5 tons.

Compute all materials variances.

22. Division Z is a profit centre, which produces four products - A, B, C and D. Each product is sold in the external market also. Data for the period is as follows:

	A (Rs)	B (Rs)	C (Rs)	D (Rs)
Market Price Per Unit	150	146	140	130
Variable Cost of Production per unit	130	100	90	85
Labour hours required per unit	3	4	2	3

Product D can be transferred to Division Y, but the maximum quantity that might be required for transfer is 2,500 units of D.

The maximum sales in the external market are :

A - 2,800 units; B - 2,500 units; C - 2,300 units ; D - 1,600 units

Division Y can purchase the same product at a slightly cheaper price of Rs 125 per unit instead of receiving transfers of product D from Division Z.

What should be the transfer price for each unit for 2,500 units of D, if the total labour hours available in division Z are :

i) 20,000 hours ii) 30,000 hours