

C 23293

(Pages : 5)

Name.....

Reg. No.....

**SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)  
EXAMINATION, APRIL 2022****April 2021 Session for SDE/Private Students  
(CBCSS)**

Master of Commerce

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

**General Instructions****Covid Instructions are not applicable for SDE/Private students**

1. *In cases where choices are provided, students can attend **all** questions in each section.*
2. *The minimum number of questions to be attended from the Section / Part shall remain the same.*
3. *The instruction if any, to attend a minimum number of questions from each sub section / sub part / sub division may be ignored.*
4. *There will be an overall ceiling for each Section / Part that is equivalent to the maximum weightage of the Section / Part.*

**Part A**

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

1. What do you mean by Cost Accounting ?
2. What is equivalent production ?
3. What is Throughput Accounting ?
4. Write short notes on: (i)ABC, (ii) Spoilage.
5. What is Transfer Pricing ?
6. Define Target costing.
7. What do you understand by Backflush costing accounting ?

(4 × 2 = 8 weightage)

**Turn over**

**Part B**

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

8. Briefly explain the different techniques of costing.
9. Define kaizen costing. What are its benefits ?
10. From the following information relates to Process I and Process II :

Particulars	Process I (Rs.)	Process II (Rs.)
Materials	20,000	-
Wages	20,000	28,000
Overheads	8,000	20,000

The output of Process I is transferred to Process II at a price fixed to yield a profit of 20% on the transfer price. The output of process II is transferred to the sales department at profit of 25% on the transfer price. The entire out put was sold for Rs. 2,04,000 by the sales department. Prepare process a/c. Calculate the total price assuming that there was no opening or closing stock.

11. Product 'P' Yield by products Q and R. The Joint expenses of Manufacturing are :

Material - 10,000, Labour - 8,000 and Over heads - 9,000.

Subsequent expenses are as follows :

Particulars	P	Q	R
Materials	2,000	1,600	1,800
Labour	2,400	1,400	1,700
Overheads	2,600	1,000	1,500
<b>Total</b>	<b>7,000</b>	<b>4,000</b>	<b>5,000</b>
Selling Price	42,000	20,000	25,000
Estimated profit on Sales	50%	50%	50%

Assume that selling and distribution expenses are in proportion of sales price. Show how would you apportion joint cost of manufacturers and prepare statement showing cost of production of P, Q and R.

12. The following data for a new product the Y-pad music player. The target price is Rs. 50  
And the sales required is 10,000 units  
ROI 25%  
Investment in building Rs. 2,00,000 and machinery Rs. 1,40,000  
Estimated cost of materials Rs. 32.50, labour Rs. 3.75 and overheads Rs. 8.00  
You are required to calculate the target cost and cost gap for the y-pad.
13. Ram and Co. produces 3 products, A, B and C, details of which are shown below :

Particulars	A	B	C
Selling price per unit (Rs.)	120	110	130
Direct material cost per unit (Rs.)	60	70	85
Variable overhead (Rs.)	30	20	15
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 optimum product mix based on the throughput concept.

14. A company has a policy of fixing the transfer price on cost plus 20% of ROI basis. The following information available :

Fixed assets (Rs.)	12,50,000
Current assets (Rs.)	7,50,000
Debtors (Rs.)	5,00,000
Annual fixed cost of a division (Rs.)	20,00,000
Variable cost per unit (Rs.)	50
Budgeted volume (Units)	2,00,000

- (i) Determine the transfer price for division.
- (ii) If the volume (in units) is increased by 10% the current asset increased Rs. 2,50,000  
Debtor increased Rs. 2,50,000. What will be the impact on transfer price ?

(4 × 3 = 12 weightage)

**Turn over**

**Part C**

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

15. Discuss the practical difficulty in installation of costing system and how to overcome practical difficulties.
16. The following data are available in respect of process I for the month of June :

Opening Work in Progress	900 units at	Rs. 4,500
Degree of Completion	Materials	100%
	Labour	60%
	Overheads	60%
Input of materials	9,100 at	Rs. 27,300
Direct Labour		Rs. 8,200
Production Overhead		Rs. 16,400
Units scrapped		1,200 units
Degree of Completion	Materials	100%
	Labour	70%
	Overheads	70%
Closing Working in Progress		1,000 units
Degree of Completion	Materials	100%
	Labour	80%
	Overheads	80%
Units transferred to next process		7,800 units

Normal process loss is 10% of input ( opening stock plus units put in) and scrap value is Rs. 3 per unit. You are required to follow FIFO method and prepare :

- I. Statement of Equivalent production
- II. Statement of Cost and
- III. Process I Account.

17. X AUTO Ltd. produces three products P Q and R for which the standard cost and qualities per unit are as follows :

Products	P	Q	R
Output (units)	5,000	15,000	22,500
Direct materials per unit (Rs)	100	80	60
Direct wages per unit (Rs)	60	80	100
Labour hours per unit	3	4	5
Machine hours per unit	4	4	7
No. of purchase requisition	600	900	1,000
No. of set up	130	120	150

Production Overheads split by departments :

Department A	Rs 5,50,000
Department B	Rs 7,50,000
Total	Rs 13,00,000

Department A is labour incentives while Department B is machine incentives.

Total labour hour in Dept. A	55,000
Total machine hour in Dept B	1,50,000

Production OH split by activity

Receiving / Inspection	7,00,000
Production schedule /machine setup	6,00,000
Total	13,00,000

No. of batches received/inspected 2,500

No .of batches for scheduling and set up 400

You are required to prepare product cost statement under Tradition Absorption costing and ABC methods.

18. What do you understand by JIT ? Explain how it is eliminates wastage of resources.

(2 × 5 = 10 weightage)