C 42723 **(Pages : 5)** **Name.....**

Reg. No.....

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2023

(CBCSS)

M.Com.

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours Maximum : 30 Weightage

Part A

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

1. What are the features of marginal costing ?
2. State the objectives of Activity based Costing.
3. What are the steps involved in implementing JIT ?
4. Brief the phases of project life cycle.
5. State the differences between main products and By- products.
6. Define :
   a) Waste ; and
   b) Scrap.
7. Differentiate between throughput costing and absorption costing.

(4 × 2 = 8 weightage)

Part B

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

8. Briefly explain the different methods of apportionment of joint cost.
9. The Joint Products A, B, C, and D are produced at a total joint production cost of Rs. 1,20,000. Quantities produced are A—20,000 units, B—15,000 units, C—10,000 units and D—15,000 units. Product A sells for Rs. 16 ; B Rs. 4 ; C Rs. 8 and D for Rs. 4. These figures are at the split off point. Required to show the apportionment of joint costs by using Sale price per unit method.

Turn over

10. X Ltd., fixes the inter divisional transfer prices for its product on the basis of cost plus a return on investment in the division. The budget for Division A for 2020-21 is as follows :

Fixed assets	–	2,50,000
Current assets	–	1,50,000
Debtors	–	1,00,000
Annual fixed cost of the division	–	4,00,000
Variable cost/unit of product	–	10
Budgeted volume	–	2,00,000 units/year
Desired ROI	–	28 % total investment

Determine the transfer price for division A.

11. From the following information relating to KKN Company Ltd. Prepare Statement of equivalent production.

Opening Stock in Process II – 5000 units of Rs. 36,000

Transfer from Process I – 2,13,000 units of Rs. 8,27,000

Direct Material added in Process II – Rs. 4,01,800

Direct Wages – Rs. 1,98,100 Production Overhead – Rs. 99,050

Units Scrap – 11,000 units Transferred to Process III – 1,89,000 units

Closing Stock – 18,000 units

Degree of Completion :

	Opening Stock	Closing Stock	Scrap
Material	70 %	80 %	100 %
Labour	50 %	60 %	80 %
Overhead	50 %	60 %	80 %

There was a normal loss of 5 % production and unit scraped were sold at Rs. 1.50.

12. Nelco Co produces 3 products, P, Q and R, details of which are shown below :

	P	Q	R
Selling price per unit	100	90	110
Direct material cost per unit	65	75	90
Maximum demand (units)	32,000	28,000	37,000
Time required on the bottleneck resource (hours per unit)	5	3	2

There are 2,00,000 bottleneck hours available each month.

Calculate the throughput per unit for each product. Rank the products in order of the priority in which they should be produced, starting with the product that generates the highest return per hour first.

13. In the manufacture of main product, 300 units of a certain by-product were produced. The market value of the by-product was Rs. 50/unit. The by-product required further processing costs amounting to Rs. 5,000 and selling and distribution overheads amounting to Rs.750 are incurred. Calculate the amount to be credited to the process account in respect of by-product.

14. A Ltd. is engaged in production of three types of ice-cream products : Coco, Strawberry and Vanilla. The Company presently sells 50,000 units of Coco at Rs. 25 per unit, Strawberry 20,000 at Rs. 20 per unit and Vanilla 60,000 at Rs. 15 per unit. The demand is sensitive to selling price ; and it has been observed that every reduction of 1 per unit in selling price increases the demand for each product by 10 % to the previous level. The Company has the production capacity of 60,500 units of Coco, 24,200 units of Strawberry and 72,600 units of Vanilla. The Company marks up 25 % on cost of the product.

The Company management decides to apply ABC analysis. For this purpose, it identifies four activities and the rate as follows :

Activity		Cost Rate
Ordering	–	Rs. 800 per purchase Order
Delivery	–	Rs. 700 per Delivery
Shelf Stocking	–	Rs. 199 per Hour
Customer Support and Assistance	–	Rs. 1.10 per unit sold

Turn over

The other relevant information for the products is as follows :

Particulars	Coco	Strawberry	Vanilla
Direct Material p.u.	8	6	5
Direct Labour p.u.	5	4	3
No. of Purchase Orders	35	30	15
No. of Deliveries	112	66	48
Shelf Stocking Hours	130	150	160

Under the traditional costing system, Store Support Costs are changed at 30 % of Prime Cost. In ABC these costs are coming under Customer Support and Assistance. Calculate Target Cost for each product after a reduction of selling price required to achieve the sales equal to the production capacity.

(4 × 3 = 12 weightage)

Part C

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

15. Define backflush accounting. Explain its procedures and advantages

16. Define cost accounting. Explain its scope and objectives.

17. The product of a company passes through 3 distinct processes. The following information is obtained from the accounts for the month ending January 31, 2020 :

Particulars	Process -A	Process-B	Process-C
Direct material	7,800	5,940	8,886
Direct wages	6,000	9,000	12,000
Production O H	6,000	9,000	12,000

3000 units @ Rs. 3 each were introduced to process - A. There was no stock of materials or work in progress. The output of each process passes directly to the next process and finally to finished stock A/c.

The following additional data is obtained :

Process	Output	Percentage of Normal loss to Input	Value of scrap /Unit Rs.
A	2,850	5 %	2
B	2,520	10 %	4
C	2,250	15 %	5

Prepare Process Cost Account, Normal Loss Account and Abnormal Gain or Loss Account.

18. The Gadget Co produces three products A, B and C, all made from the same material. Until now, it has used traditional absorption costing to allocate overheads to its products. The company is now considering Activity Based Costing system in the hope that it will improve profitability. Information for the three products for the last year is as follows.

Particulars	A	B	C
Production and sales volume (units)	15,000	12,000	18,000
Selling price per unit	7.50	12	13
Raw material usage (kg) per unit	2	3	4
Direct labour hours per unit	0.1	0.15	0.2
Machine hours per unit	0.5	0.7	0.9
Number of productions runs per annum	16	12	8
Number of purchase orders per annum	24	28	42
Number of deliveries to retailers per annum	48	30	62

The price for raw materials remained constant throughout the year @ 1.20 per kg. similarly, the direct labour cost for the whole workforce was Rs. 14.80 per hour. The annual overhead costs were as follows :

Machine set up costs	–	26,500
Machine running costs	–	66,400
Procurement costs	–	48,000
Delivery costs	–	54,320

Calculate full cost per unit of each product using Activity Based Costing.

(2 × 5 = 10 weightage)