

FIRST SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, NOVEMBER 2020

(CBCSS)

M.Com.

MCM 1C 05—ADVANCED MANAGEMENT ACCOUNTING

(2019 Admissions)

Time : Three Hours

Maximum : 30 Weightage

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

1. Define Marginal Costing. How does it differ from absorption costing?
2. What do you mean by Balanced Score card?
3. What is residual Income?
4. What is Kaizen Costing?
5. Write a note on Just In Time technique.
6. What is a Decision tree analysis?
7. Distinguish between management Accounting and Cost accounting.

(4 × 2 = 8 weightage)

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

8. An automobile manufacturing company finds that the cost of making Part no. 20S in its own workshop is ₹. 6. The same part is available in the market at ₹. 5.60 with an assurance of continuous supply. The cost data to make the part are :

	₹.
Material	2
Direct Labour	2.50
Other variable costs	0.50
Fixed Costs allocated	1
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Turn over

- i) Should the Part to be made or bought ?
- ii) Will your answer be different if the market price is ₹. 4.60 ? Show your calculation clearly.

9. What is standard costing ? Write down the steps involved in standard costing.
10. You are given the following data for the coming year of a factory :

Budgeted output	...	80,000 units
Fixed expenses	...	₹. 4,00,000
Variable Expenses	...	₹. 10 per unit
Selling Price	...	₹. 20 per unit

Evaluate Break-Even Point and draw the Break-Even Chart.

11. The standard cost of material for manufacturing a unit of Product A is estimated as follows :
15 kg, of raw material @ ₹. 1.50 per kg. On the completion of the unit it was found that 20 kg. of raw material costing ₹. 2 per kg. has been consumed. Compute Material cost Variance.
12. Define Management Accounting. Discuss tools and techniques of Management Accounting.
13. The standard time and rate for unit component A are given below :
Standard Hours 15 ; Standard Rate ₹. 4 per hour
The actual data and related information are as under :
Actual Production 1000 units. Actual Hours 15300 hours, Actual rate ₹. 3.90 per hour.
Calculate Labour rate Variance.
14. What is Balanced Score card ? Explain its distinct features and Four perspectives of performance measurement.

(4 × 3 = 12 weightage)

Part C

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

15. What makes risk important in the selection of projects ? Explain the various methods of evaluating risky projects ? Can you think of a capital budgeting project that would have perfectly certain returns ?

16. A company has the following estimates of the present values of the future cash flows after taxes associated with the investment proposal, concerned with expanding the plant capacity. It intends to use a decision tree approach to get a clear picture of the possible outcomes of this investment. The plant expansion is expected to cost Rs. 3,00,000. The respective PVs of future CFAT and probabilities are as follows :

PV of future CFAT

With expansion	Without Expansion	Probabilities
₹. 3,00,000	₹. 2,00,000	0.2
5,00,000	2,00,000	0.4
9,00,000	3,50,000	0.4

Advice the Company regarding the financial feasibility of the project.

17. A company is engaged in 3 distinct lines of production. Their production cost per unit and selling price are as under :

	A	B	C
Production (units)	3,000	2,000	5,000
	₹.	₹.	₹.
Material cost	18	26	30
Wages	7	9	10
Variables Overhead	2	3	3
Fixed Overheads	5	8	9
	32	46	52
Selling Price	40	60	61
Profit	8	14	9

The Management wants to discontinue one line and gives you the assurance that production in two other lines will rise by 50 %. It intends to discontinue the line which produces article 'A' as it is less profitable.

Do you agree to the scheme in Principle ? If so, Do you think that the line which produces article 'A' should be discontinued.

- a) Offer your comments and show necessary statements to support your decision.

Turn over

18. Queensland Chemicals (QC) manufactures high-quality chemicals C-1, C-2 and C-3. Extracts from the budget for last year are given below :

	C-1	C-2	C-3
Sales Quantity (kg)	1,000	3,250	750
Average Selling Price / Kg.	17,600	2,560	22,400
Direct Material (C ₂ H ₆ O) Cost /Kg.	8,000	1,280	9,600
Direct Labour Cost /Kg.	3,200	480	4,800
Variable Overhead Cost /Kg.	320	48	480

The budgeted direct labour cost per hour was Rs 160. Actual results for last year were as follows:

	C-1	C-2	C-3
Sales Quantity (kg)	900	3,875	975
Average Selling Price / Kg.	19,200	2,480	20,000
Direct Material (C ₂ H ₆ O) Cost /Kg.	8,800	1,200	10,400
Direct Labour Cost /Kg.	3,600	480	4,800
Variable Overhead Cost /Kg.	480	64	640

The actual direct labour cost per hour was 150. Actual variable overhead cost per direct labour hour was 20. QC follows just in time system for purchasing and production and does not hold any inventory.

You are required to show the following :

- I. Statement Showing Standard Contribution.
- II. Sales Contribution Mix Variance.
- III. Sales Contribution Quantity Variance.
- IV. Interpret the Sales Mix Variance and Sales Quantity variance in terms of contribution.

(2 × 5 = 10 weightage)