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Name.......................................

Reg. No...................................

SECOND SEMESTER M.Com. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2024

(CBCSS)

Master of Commerce

MCM 2C 08—STRATEGIC COST ACCOUNTING

(2019 Admission onwards)

Time : Three Hours | Maximum : 30 Weightage

Answers should be written in English only.

Section A

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

1. State the differences between joint products and Co-products.
2. What are the conditions for implementation of backflush accounting ?
3. What are the steps involved in the installation of cost accounting system ?
4. Briefly explain the problems in Throughput accounting.
5. What are the advantages of value chain analysis ?
6. Explain the scope of cost accounting.
7. What are the tools for implementation of Kaizen costing ?

($4 \times 2 = 8$ weightage)

Section B

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

8. Differentiate between cost accounting and management accounting.
9. MS Company Ltd. is a leading manufacturer of a certain consumer durable product. The company has two divisions - Engineering and Assembly. The output of the engineering division is transferred to the assembly division for further processing and assembling before being sold to the customer as complete product. Verification of the company's records reveals that the variable cost per unit of

Turn over

its transfers to assembly division ... the prof...
two divisions ?

10. Beta Co produces 3 products, E, F and G, details of which are shown below :

	E	F	G
Selling price per unit	120	110	130
Direct material cost per unit	60	70	85
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 throughput per unit for each product. Rank the products in order of the pr... which they should be produced, starting with the product that generates the highest re... hour first.

11. X, Y, Z Ltd manufactures three products P, Q and R. The actual joint expenses of manufac... a period were Rs. 8,000. It was estimated that the profit on each product as a percentage... would be 30 %, 25 % and 15 % respectively. Subsequent expenses were as follows :

	P	Q	R
Materials	100	75	25
Direct wage	200	125	50
Overhead	150	125	75
	450	**325**	**150**
Sales	6,000	4,000	2500

Prepare statement showing the apportionment of the joint expenses of manufacture over... products.

12. Cam Co manufactures webcams, devices which can provide live video and audio streams via personal computers. It has recently been suffering from liquidity problems and hopes that these will be eased by the launch of its new webcam, which has revolutionary audio sound and visual quality.

The webcam is expected to have a product life cycle of two years. Market research has already been carried out to establish a target selling price and projected lifetime sales volumes for the product. Cost estimates have also been prepared, based on the current proposed product specification. Cam Co uses life cycle costing to work out the target costs for its products. You are provided with the following relevant information for the webcam :

Projected lifetime sales volume	:	50,000 units
Target selling price per unit	:	200
Target profit margin	:	35 %

Manufacturing costs includes Direct material (bought in parts) -40, Direct labour -26, Machine costs -24, Quality control costs -10.

The following information has been identified as relevant :

(1) Direct material cost : all of the parts currently proposed for the webcam are bespoke parts. However, most of these can actually be replaced with standard parts costing 55 % less. However, three of the base poke parts, which currently account for 20 % of the estimated direct material cost, cannot be replaced, although an alternative supplier charging 10 % less has been sourced for these parts.

Calculate target cost and the direct material cost per unit in light of the new information in point (1).

13. For the month of January 2020, production and cost data were as follows :

Total costs :	Material	3,000
	Wages	4,500
	Overhead	2,500
		10,000

Production was 1,500 fully completed units and 200 partly complete.

The degree of completion of the 200 units work in progress was as follows

Materials	75%
Labour	60%
Overheads	50%

Calculate the total equivalent production, the cost per complete unit and value of work in progress.

Turn over

14. ABC Ltd., fixes the inter divisional transfer prices for its production on the basis of cost plus return on investment in the division. The budget for division A for 2020-21 is as follows

Fixed assets	–	5,00,000
Current assets	–	3,00,000
Debtors	–	2,00,000
Annual fixed cost for the division	–	5,00,000
Variable cost per unit of product	–	15
Budgeted volume	–	2,50,000 units per year
Desired ROI	–	30 % on total investment

Determine transfer price for division A.

($4 \times 3 = 12$ weightage)

Section C

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

15. Define marginal costing. Explain its advantages and limitations. Differentiate between marginal costing and absorption costing.

16. Briefly discuss emerging costing approaches.

17. ABC Ltd. is a multiproduct company manufacturing three products A, B and C. The budgeted costs and production for the year ending 31st March are as follows :

	A	B	C
Production quantity (Units)	4,000	3,000	1,600
Resource per unit :			
Direct materials (Kg)	4	6	3
Direct labour (Minutes)	30	45	60

The budgeted direct labour rate was Rs. 10 per hour and the budgeted material cost was Rs. [illegible] per kg. production overheads were budgeted at Rs. 99,450 and were absorbed to products using direct labour hour rate. ABC Ltd. followed the absorption costing system.

ABC Ltd. is now considering to adopt an Activity Based costing system. The following additional information is made available for this purpose