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Register Number:

DATE:

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**M.COM – II SEMESTER**

**SEMESTER EXAMINATION: APRIL 2022**

**(Examination conducted in July-August 2022)**

MCO 8118 / MCO 8120: Cost & Management Accounting / Strategic Cost Management

Time- 2 ½ hrs Max Marks-70

**This paper contains three printed pages and four parts**

**Section A**

**I.** Answer ***any Ten*** of the following (**2 x 10 = 20 marks)**

1. State the Significance of P/V Ratio.
2. What is a limiting factor? Give an example.
3. Mention any two activities with their respective cost drivers.
4. What is activity cost pool?
5. What is Zero based budgeting?
6. State any four objectives of budgeting.
7. What is Material Mix Variance?
8. What is Lean accounting?
9. What is life cycle costing?
10. What is Semi Variable Cost? Give an example
11. What is incremental approach?
12. Differentiate between Cost Control and Cost Reduction.

**Section B**

**II.** Answer ***any three*** of the following (**5 x 3 = 15 marks)**

1. What is meant by Kaizen costing? Briefly explain the Five “S” in Kaizen.
2. What is Responsibility accounting? Briefly explain the types of Responsibility centres.
3. Discuss the advantages & limitations of Activity based Costing
4. A) A product has a selling price of Rs.10 and a variable cost of Rs.5. Sales for March are Rs.100,000 and fixed costs for March are Rs.20,000. How many products are sold at the break-even point? **(2.5 marks)**
5. A company has sales of 2,600 units. There are 1,400 units of opening stock while the closing stock is planned to be 1,800 units. What production is needed to satisfy sales? **(2.5 marks)**
6. From the following data, calculate:
7. Variable overhead Cost variance
8. Variable overhead expenditure variance
9. Variable overhead efficiency variance

|  |  |  |
| --- | --- | --- |
| **Particulars** | **Budgeted** | **Actual** |
| Variable Overhead | Rs.2,50,000 | Rs.2,60,000 |
| Output in units | 25,000 | 20,000 |
| Working hours | 1,25,000 | 1,10,000 |

**Section C**

**III.** Answer ***any two*** of the following (**10 x 2 = 20 marks)**

1. The Standard cost card for a product shows:

Material cost – 2 kg @ Rs.2.50 each – Rs. 5 per unit.

Wages- 2 hours @ Rs.10 each- Rs.20 per unit.

The actuals which have emerged from business operations are as follows:

Production- 8000 units

Material consumed 16,500 kg @ Rs.2.40 each – Rs.39,600.

Wages paid 18,000 hours @ Rs.8 each – Rs.1,44,000.

**Calculate: MCV, MPV, MUV, LCV, LRV, LEV.**

1. Paints Private Ltd. Company manufacturing a single product is facing severe competition in selling it at Rs.50 per unit. The company is operating at 60% level of capacity at which the level of sales are Rs.12,00,000 and variable cost are Rs.30 per unit. Semi-Variable costs may be considered as fixed at Rs.90,000 when output is NIL and the variable elements is Rs.250 for each additional 1% level of activity. Fixed Costs are Rs.1,50,000 at the present level of activity. But at 80% level of activity or above, these are expected to increase by Rs.50,000.

To cope with the competition, the management of the company is considering a proposal to reduce the selling price by 5%. You are required to prepare a statement showing the operating profit at levels of activity of 60%, 70% , 80% & 90% assuming that:

1. The selling price remains at Rs.50.
2. The selling price is reduced by 5%.
3. Company XYZ has 2 fixed price contracts for 2 different clients. The company has enough capacity for both contracts but is uncertain whether they will be profitable.

**Data as follows:**

|  |  |  |
| --- | --- | --- |
| **Customer** | **AAA** | **BBB** |
| Component Type | A999 | B999 |
| Contract Value (Rs) | Rs. 27,000 | Rs.100,000 |
| Contract Quantity | 1,000 units | 2,000 units |
| Material cost/unit | Rs.15 | Rs.20 |
| Moulding time/batch | 5 hours | 7.5 hours |
| Batch Size | 100 units | 50 units |

**Annual Budgeted overheads as follows:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Activity** | **Cost Driver** | **Cost driver volume/year** | **Cost**  **pool** |
| Moulding | Moulding hours | 2,000 | Rs.1,50,000 |
| Inspection | Batches | 150 | Rs.75,000 |
| Production Management | Contracts | 20 | Rs.1,25,000 |

**You are required to calculate the activity-based costs and profits for each contract.**

**Section D**

**IV. Answer the following (15 marks)**

1. The costs per unit of three products X,Y and Z are given below:

|  |  |  |  |
| --- | --- | --- | --- |
| Particulars | X | Y | Z |
| Direct material (Rs) | 20 | 16 | 18 |
| Direct labour (Rs) | 12 | 14 | 12 |
| Variable overheads (Rs) | 8 | 10 | 6 |
| Fixed Expenses (Rs) | 6 | 6 | 4 |
| Total (Rs) | 46 | 46 | 40 |
| Profit (Rs) | 16 | 14 | 12 |
| Selling Price (Rs) | 64 | 60 | 52 |
| No of units produced | 10,000 units | 5,000 units | 8,000 units |

Production arrangements are such that if one product is given up the production of the others can be raised by 50%. The directors propose that product Z should be given up because the contribution from the product is the lowest. Present suitable analysis of the data indicating whether the proposal to drop Z can be adopted. Assume that the fixed cost for the business as a whole and they will continue to be same even if product Z is discontinued.

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