Sree Chaitanya Mahavidyalaya

M.Com. (Semester-3) Examination-2022

Advance Cost & Management Accounting Paper-COMPDSE03T

Full Marks-40 **Time-2 Hours**

Group-A

1. Answer any five questions **5x2=10**

(a) What is the difference between Cost Control and Cost Reduction?

(b) Discuss the concept of Cost Indifference Point of two alternative plans for decision making.

(c) Explain the role of responsibility accounting in cost control.

(d) Explain the concept of Zero-Base Budgeting.

(e) What is ROI? Can ROI be negative?

(f) Explain the concept of Balanced Scorecard?

(g) Explain the concept of Learning Curve Ratio.

(h) Find the P/V Ratio from the information provided for the last two years:

Year	Sales (Rs.)	Net Profit (Rs.)
2020	1,00,000	6,000
2021	80,000	2,000

Group-B

Answer any two questions **2x5 =10**

2. The following information is obtained from the annual report of a company in 2020:
Sales : Rs. 1,00,000; Variable Cost Rs. 60,000; Fixed Cost Rs. 30,000

Find : (i) P/V Ratio, Break-even Sales and Margin of Safety at the current level.

(ii) Make a sensitivity analysis on P/V Ratio, B.E.P. and Margin of safety in the event when there is 20% increase in Selling Price, accompanied by 10% decrease in Variable Cost and 10% increase in Fixed Cost. (2+3)

3. In a company, Production Manager (PM) and Sales Manager (SM) reports to the Managing Director (MD). Based on the data given below, prepare Responsibility Accounting Reports showing performance of the MD, PM and SM.

	Budget (Rs.)	*Variance [Adverse(**A**)/ Favourable(**F**)] (Rs.)*
Production expenses	62,50,000	197,000 (A)
Technical consultancy for manufacturing	5,10,000	5,000 (F)
Wages & Factory Admn. expenses	1,75,000	25,000 (A)
Administrative expenses of MD office	2,50,000	20,000 (A)
Publicity expenses	9,10,000	15,000 (F)
Sales	1,00,00,000	12,00,000 (A)

4. XYZ Ltd. manufacture three products using same raw materials, the relevant details of F.Y.2020-21 are mentioned below:

	X	Y	Z
Selling Price per unit (Rs.)	20	15	10
Maximum Sales possibility (in units)	8000	5000	2000
Raw Material contents (as %age of Variable Cost)	50%	50%	50%
PV Ratio	10	20	40

The Fixed Expenses are estimated at Rs. 12,000. As the Raw Material is in short supply, the company is allocated a government regulated quota of raw material supply of Rs.72,000 p.a.
You are required to plan a product mix that generate maximum overall profit, considering scarcity of raw material, and compute the maximum profit.

5. What do you understand by Economic Value Added (EVA)? Discuss the steps involved in calculating EVA, taking the help of a numerical example.

Group-C

Answer any two questions **2x10=20**

6. (a) Following cost data is given for Product-A of ZYX Co. Ltd. having normal annual production of 26,000 units.

Selling Price per unit : Rs. 10.00
Variable Cost per unit : Rs. 6.00
Fixed Cost per unit : Rs. 2.00

Additional data for four quarters:-

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Units
Opening Stock	-	-	6,000	2,000	-
Production	26,000	30,000	24,000	30,000	1,10,000
Sales	26,000	24,000	28,000	32,000	1,10,000
Closing Stock	-	6,000	2,000	-	-

Prepare statements showing quarterly and annual profit under Marginal Costing Method and Absorption Costing Method.

(b) A company produces a standard product, each unit of which has a Direct Material cost of Rs. 12, requires 2 hours of Labour paid @ Rs. 1.50 per hour, and Sells for Rs. 30.
The company has no Variable Overheads, but only Fixed Overheads of Rs. 64,000 a month.
The demand of the product is heavy, but the availability of labourers are scarce.
A work contract worth Rs. 2700 is been offered to the company, which requires the following cost parameters:-

(i) Labour time requirement : 200 hours
(ii) Material cost would be Rs. 570 plus cost of special component.
(iii) The special component may be purchased from an outside supplier for Rs. 150, or may be made by the company requiring material cost of Rs. 60 and additional labour time of12 hours.

As a Cost Accountant, advice the management regarding make or buy decision, and also compute the Cost of Contract based on the decision taken that render best profitability. (6+4)

7. The following is the operating statement of CBA Ltd. for the month of March 2021.

	Budgeted (Rs.)	Actual (Rs.)	Variance (Rs.)
Sales	24,00,000	22,00,000	2,00,000
D.Material	6,00,000	5,20,000	80,000
D.Labour	8,00,000	7,56,000	44,000
Variable Factory Overhead	2,00,000	1,84,000	16,000
Variable Selling Overhead	3,00,000	2,88,000	12,000
Fixed Factory Overhead	1,00,000	1,16,000	(16,000) (adverse)
Fixed Selling Overhead	2,00,000	1,84,000	16,000
Profit	2,00,000	1,52,000	(48,000) (adverse)

The actual labour hours worked is 95,000, compared with the budgeted labour hours allocated 100,000.
The actual Production & Sales is 18,000 units, compared with the budgeted 20,000 units.
The management is surprised to observe that on the basis of budgeted profit of Rs. 10 per unit, when the expected adverse profit variance is desired to be Rs.20,000 [(budgeted profit of Rs.200,000 minus

Rs.1,80,000 (on sales of 18,000 units of production)], the operating statement is showing it as Rs. 48,000 adverse.

As the Accountant of the company, you are required to :-

(i) Redraft the operating statement (as above) to show the Original Budget and the Flexible Budget (with the actual expenses incurred and the related variances for 18,000 units of production & sales).

(ii) Reconciliation Statement of Actual Profit with Budgeted Profit, showing all variance adjustments related to Sales, Direct Materials, Direct Labour, Variable Overheads and Fixed Overheads. (3+7)

8. (a) What are the essential steps in Budgetary Control?

(b) The operating scenario of a soap manufacturing concern displays the following details:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Working days	80	75	80	70
Production per working day (units)	125	120	100	100
Raw materials purchase	30%	30%	30%	10%
(%age of annual requirements of R. Materials)				
Budgeted purchase price per kg.	Rs. 2.00	Rs. 2.10	Rs. 2.20	Rs. 2.25

<u>Other details</u>:

Budgeted opening stock of R. Materials: 5000 kg (costing Rs. 10,000)

Budgeted closing stock of R. Materials: 7000 kg.

The consumption of stock in the manufacturing process is done on FIFO basis.

The quantity of R. Material requirements per unit of production is 2 kg.

You are required to prepare (a) Quarterly & Annual Purchase Budget (b) Closing Quarterly Stock Budget. (3+7)

9. (a) Discuss in brief the Cost Plus Method and Marginal Cost Method of Export Pricing.

(b) Explain how Activity Based Costing plays an effective role in pricing decisions, product-mix decisions, and cost reduction decisions?

(c) For decision-making purposes, what would be the opportunity cost-based transfer pricing policy in slightly imperfect competitive market? (4+4+2)

Answer-script in a single PDF must be sent by email to

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